BANCO DE CRÉDITO SOCIAL COOPERATIVO, S.A., AND ITS SUBSIDIARIES (CAJAMAR COOPERATIVE GROUP)

Independent Auditor´s report, consolidated annual accounts and consolidated directors´report at 31 December 2014

This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

INDEPENDENT AUDITOR´S REPORT ON CONSOLIDATED ANNUAL ACCOUNTS

Report on consolidated annual accounts

We have audited the accompanying consolidated annual accounts of Banco de Crédito Social Cooperativo, S.A. and its subsidiaries (Cajamar Cooperative Group), which comprise the consolidated statement of financial position as at December 31, 2014, and the consolidated income statement, statement of changes in equity, cash flow statement and related notes for the year then ended.

Directors' Responsibility for the Consolidated Annual Accounts

The parent company´s directors are responsible for the preparation of these consolidated annual accounts, so that they present fairly the consolidated equity, financial position and financial performance of Banco de Crédito Social Cooperativo, S.A. and its subsidiaries, in accordance with International Financial Reporting Standards, as adopted by the European Union, and other provisions of the financial reporting framework applicable to the Group in Spain and for such internal control as directors determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated annual accounts based on our audit. We conducted our audit in accordance with legislation governing the audit practice in Spain. This legislation requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated annual accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the parent company´s directors´ preparation of the consolidated annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the consolidated annual accounts taken as a whole.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying consolidated annual accounts present fairly, in all material respects, the consolidated equity and financial position of Banco de Crédito Social Cooperativo, S.A. and its subsidiaries as at December 31, 2014, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union, and other provisions of the financial reporting framework applicable in Spain.

Emphasis of Matter

We draw attention to Note 1 to the accompanying consolidated annual accounts, which indicates that on 28 January 2014 Banco de Crédito Social Cooperativo, S.A. was incorporated and is the parent of the new Cajamar Cooperative Group. During a meeting of its Executive Committee on 6 June 2014 the Bank of Spain classified this new Group as a consolidable group of credit institutions and the agreement entered into by Banco de Crédito Social Cooperativo, S.A. and the 19 rural savings banks party to the same as an Institutional Protection System. The Cajamar Cooperative Group replaces and offers continuity to the former Cajas Rurales Unidas Cooperative Group, parented by Cajas Rurales Unidas, Sociedad Cooperativa de Crédito. The agreement entered into lays down the rights and obligations of the member entities of the Group and the competences delegated by them to Banco de Crédito Social Cooperativo, S.A., assigning sovereignty in favour of the Bank, its Board of Directors therefore being the Group's ultimate decision- making Body, which entails the administration and supervision of the activities performed by the Group at the highest level, in order to ensure that that there is a single decision- making unit in the same. This matter does not modify our opinion.

Report on Other Legal and Regulatory Requirements

The accompanying consolidated directors' Report for 2014 contains the explanations which the parent company´s directors consider appropriate regarding Banco de Crédito Social Cooperativo, S.A. and its subsidiaries´ situation, the development of their business and other matters and does not form an integral part of the consolidated annual accounts. We have verified that the accounting information contained in the directors' Report is in agreement with that of the consolidated annual accounts for 2014.Our work as auditors is limited to checking the directors' Report in accordance with the scope mentioned in this paragraph and does not include a review of information other than that obtained from Banco de Crédito Social Cooperativo, S.A. and its subsidiaries´ accounting records.

PricewaterhouseCoopers Auditores, S.L.

(Originally signed by)

PRICEWATERHOUSECOOPERS AUDITORES, S.L.

Raúl Ara
9 April 2015

BANCO DE CRÉDITO SOCIAL COOPERATIVO, S.A.
AND ENTITIES OF GRUPO CAJAMAR
(GRUPO COOPERATIVO CAJAMAR)

Consolidated Annual Accounts and Consolidated Director´s Report

Year 2014

GRUPO COOPERATIVO CAJAMAR

BANCO DE CRÉDITO SOCIAL COOPERATIVO, S.A.
AND ENTITIES FORMING GRUPO CAJAMAR
Consolidated balance sheets as at 31 December 2014 and 2013

Assets

	Thousands of euros	
	2014	**2013 (*) (**)**
Cash and balances with central banks	**510,724**	**498,759**
Financial assets held for trading	**306**	**607**
Loans and advances to credit institutions	-	-
Loans and advances to other debtors	-	-
Debt securities	-	-
Equity instruments	1	109
Trading derivatives	305	498
Memorandum item: Loaned or advanced as collateral	-	-
Other financial assets at fair value through profit or loss	**46,173**	**19,136**
Loans and advances to credit institutions	-	-
Loans and advances to other debtors	44,800	17,950
Debt securities	1,373	1,186
Equity instruments	-	-
Memorandum item: Loaned or advanced as collateral	-	-
Available-for-sale financial assets	**877,027**	**3,208,204**
Debt securities	752,673	3,080,973
Equity instruments	124,354	127,231
Memorandum item: Loaned or advanced as collateral	*325,101*	*2,430,170*
Loans and receivables	**30,522,062**	**34,530,994**
Loans and advances to credit institutions	311,256	483,381
Loans and advances to other debtors	30,147,368	34,047,613
Debt securities	63,438	-
Memorandum item: Loaned or advanced as collateral	*11,826,079*	*16,110,616*
Held-to-maturity investments	**15,390**	**38,741**
Memorandum item: Loaned or advanced as collateral	-	*19,039*
Changes in the fair value of the hedged items in portfolio hedges of interest rate risk	**-**	**-**
Hedging derivatives	**61,045**	**127,043**
Non-current assets held for sale	**442,309**	**394,448**
Investments	**62,887**	**54,633**
Associates	62,887	54,633
Jointly controlled entities	-	-
Insurance contracts linked to pensions	**-**	**-**
Reinsurance assets	**-**	**-**
Tangible assets	**876,178**	**887,759**
Tangible fixed assets	701,102	715,379
For own use	*696,810*	*707,258*
Leased out under an operating lease	-	-
Assigned to the Education and Development Fund	*4,292*	*8,121*
Investment properties	175,076	172,380
Memorandum item: Acquired under a finance lease	-	-
Intangible assets	**311,014**	**336,058**
Goodwill	122,390	122,390
Other Intangible assets	188,624	213,668
Tax assets	**999,647**	**946,479**
Current	43,853	28,396
Deferred	955,794	918,083
Other assets	**1,306,896**	**1,084,111**
Inventories	1,156,760	995,912
Other	150,136	88,198
TOTAL ASSETS	**36,031,658**	**42,126,972**

(*) The figures for 2013 year end have been restated in accordance with the changes in accounting policies mentioned in Notes 2.5, 3.17 and 4.
(**) The 2013 figures relate to the Cajas Rurales Unidas Consolidated Group, the parent entity of which is Cajas Rurales Unidas, Sociedad Cooperativa de Crédito (Note 1).

Liabilities

	Thousands of euros	
	2014	**2013 (*) (**)**
Financial liabilities held for trading	**299**	**58,258**
Deposits from central banks	-	-
Deposits from credit institutions	-	-
Deposits from other creditors	-	-
Debt certificates including bonds	-	-
Trading derivatives	299	58,258
Short positions	-	-
Other financial liabilities	-	-
Other financial liabilities at fair value through profit or loss	-	-
Deposits from central banks	-	-
Deposits from credit institutions	-	-
Deposits from other creditors	-	-
Debt certificates including bonds	-	-
Subordinated liabilities	-	-
Other financial liabilities	-	-
Financial liabilities at amortised cost	**32,684,075**	**38,797,639**
Deposits from central banks	1,402,509	4,665,282
Deposits from credit institutions	1,194,023	2,521,800
Deposits from other creditors	28,305,110	29,106,828
Debt certificates including bonds	1,260,057	2,018,996
Subordinated liabilities	132,937	127,019
Other financial liabilities	389,439	357,714
Changes in the fair value of the hedged items in portfolio hedges of interest rate risk	-	-
Hedging derivatives	**3,852**	**7,251**
Liabilities associated with non-current assets held for sale	-	-
Liabilities under insurance contract	-	-
Provisions	**117,635**	**105,431**
Provisions for pensions and similar obligations	15,275	13,008
Provisions for taxes and other legal contingencies	-	-
Provisions for contingent exposures and commitments	20,836	16,700
Other Provisions	81,524	75,723
Tax liabilities	**116,680**	**116,710**
Current	19,639	17,556
Deferred	97,041	99,154
Education and Development Fund	**11,953**	**14,204**
Other liabilities	**336,372**	**316,247**
Capital having the nature of a financial liability	-	-
TOTAL LIABILITIES	**33,270,866**	**39,415,740**

(*) The figures for 2013 year end have been restated in accordance with the changes in accounting policies mentioned in Notes 2.5, 3.17 and 4.
(**) The 2013 figures relate to the Cajas Rurales Unidas Consolidated Group, the parent entity of which is Cajas Rurales Unidas, Sociedad Cooperativa de Crédito (Note 1).

Equity

	Thousands of euros	
	2014	2013 (*) (**)
Own funds	**2,733,176**	**2,700,837**
Capital or endownment fund	813,550	2,315,833
Issued	813,550	2,315,833
Less: Unpaid and uncalled	-	-
Share premium	-	-
Reserves:	357,969	383,564
Accumulated reserves (losses)	347,414	377,526
Reserves (losses) in entities accounted for by the equity method	10,555	6,038
Associates	-	-
Jointly controlled entities	-	-
Other Equity instruments	2,372,773	25,464
Equity component of compound financial instruments	-	-
Non-voting equity units and associated funds	-	-
Other equity instruments	2,372,773	25,464
Less: Treasury shares	(790,900)	-
Profit for the period attributed to parent	37,144	51,704
Less: Dividend and remuneration	(57,360)	(75,728)
Valuation adjustments	**27,021**	**9,775**
Available-for-sale financial assets	22,752	8,373
Cash flow hedges	-	-
Hedge of net investments in foreign operations	-	-
Exchange differences	-	-
Non-current assets held for sale	-	-
Entities accounted for by the equity method	4,269	1,402
Other valuation adjustments	-	-
Minority interest	**595**	**620**
TOTAL EQUITY	**2,760,792**	**2,711,232**
TOTAL LIABILITIES AND EQUITY	**36,031,658**	**42,126,972**

(*) The figures for 2013 year end have been restated in accordance with the changes in accounting policies mentioned in Notes 2.5, 3.17 and 4.
(**) The 2013 figures relate to the Cajas Rurales Unidas Consolidated Group, the parent entity of which is Cajas Rurales Unidas, Sociedad Cooperativa de Crédito (Note 1).

Memorandum Accounts

	Thousands of euros	
	2014	2013 (**)
MEMORANDUM ITEM		
Contingent exposures	**628,955**	**744,495**
Contingent commitments	**2,344,824**	**1,702,052**
TOTAL MEMORANDUM ACCOUNTS	**2,973,779**	**2,446,547**

(**) The 2013 figures relate to the Cajas Rurales Unidas Consolidated Group, the parent entity of which is Cajas Rurales Unidas, Sociedad Cooperativa de Crédito (Note 1).

Consolidated Income Statements

	Thousands of euros	
	2014	2013 (*) (**)
Interest and similar income	**945,352**	**1,179,728**
Interest expense and similar charges	**(417,037)**	**(554,033)**
Remuneration of capital having the nature of a financial liability	**-**	**-**
A) NET INTEREST INCOME	**528,315**	**625,695**
Return in equity instruments	**3,358**	**2,503**
Share of profit or loss of the entities accounted for using the equity method	**14,332**	**9,386**
Fee and comission income	**305,847**	**295,477**
Fee and comission expense	**(23,681)**	**(25,590)**
Gains or losses on financial assets and liabilities (net)	**367,337**	**234,823**
Financial liabilities held for trading	(15,353)	9,859
Other financial instruments at fair value through profit or loss	25,739	15,915
Financial instruments not at fair value through profit and loss	353,522	183,069
Other	3,429	25,980
Exchange differences (net)	**2,341**	**1,795**
Other operating income	**42,729**	**38,394**
Insurance and reinsurance premium income	-	-
Sales and income from the provisions of non-financial services	11,651	16,843
Other operating income	31,078	21,551
Other operating expenses	**(54,501)**	**(116,778)**
Insurance and reinsurance premums paid	-	-
Variation in inventories	26,086	9,142
Other operating expenses	(80,587)	(125,920)
B) GROSS INCOME	**1,186,077**	**1,065,705**
Administrative expenses	**(496,299)**	**(481,234)**
Personnel expenses	(341,958)	(344,921)
Other administrative expenses	(154,340)	(136,313)
Depreciation and amortisation	**(77,854)**	**(81,678)**
Provisioning expenses (net)	**(24,793)**	**(92,439)**
Impairment losses on financial assets (net)	**(605,780)**	**(269,420)**
Loans and receivables	(600,862)	(258,599)
Financial instruments not at fair value through profit and loss	(4,918)	(10,821)
C) NET OPERATING INCOME	**(18,649)**	**140,934**
Impairment losses on other assets (net)	**(182,336)**	**(101,359)**
Goodwill and other intangible assets	(474)	(496)
Other assets	(181,862)	(100,863)
Gain (losses) on non-current assets held for sale not classified as discontinued operations	**222,270**	**5,446**
Negative difference on business combinations	**-**	**-**
Gains (losses) on non-current assets held for sale not classified as discontinued operations	**(24,185)**	**(18,040)**
D) PROFIT BEFORE TAX	**(2,900)**	**26,981**
Income tax	**45,125**	**25,081**
Mandatory transfer to Education and Development Fund	**(5,112)**	**(486)**
E) PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS	**37,113**	**51,576**
Profit or loss from discontinued operations (net)	**-**	**-**
F) CONSOLIDATED PROFIT FOR THE PERIOD	**37,113**	**51,576**
Profit attributed to parent	37,144	51,703
Profit attributed to minority interest	(31)	(127)

(*) The figures for 2013 year end have been restated in accordance with the changes in accounting policies mentioned in Notes 2.5, 3.17 and 4.
(**) The 2013 figures relate to the Cajas Rurales Unidas Consolidated Group, the parent entity of which is Cajas Rurales Unidas, Sociedad Cooperativa de Crédito (Note 1).

Consolidated Statements of Recognized Income and Expenses

	Thousands of euros	
	2014	**2013 (*) (**)**
A) CONSOLIDATED PROFIT FOR THE PERIOD	**37,113**	**51,576**
B) OTHER RECOGNISED INCOME AND EXPENSES	**17,010**	**23,000**
B.1) Items that will not be relcassified to income	(236)	295
Actuarial gains and losses in pension plans to defined benefit	(321)	402
Non-current assets held for sale	-	-
Entities accounted for by the equity method	-	-
Income tax related to items that will not be reclassified to income	85	(107)
B.2) Items that may be reclassified to income	17,245	22,705
Available-for-sale financial assets	19,554	28,428
Revaluation gains/losses	373,077	192,803
Amounts transferred to income statement	(353,523)	(164,375)
Other reclassifications	-	-
Cash flow hedges	-	-
Revaluation gains/losses	-	-
Amounts transferred to income statement	-	-
Amounts transferred to the initial carrying amount of the hedged items	-	-
Other reclassifications	-	-
Hedge of net investments in foreign operations	-	-
Revaluation gains/losses	-	-
Amounts transferred to income statement	-	-
Other reclassifications	-	-
Exchange differences	-	-
Revaluation gains/losses	-	-
Amounts transferred to income statement	-	-
Other reclassifications	-	-
Non-current assets held for sale	-	-
Revaluation gains/losses	-	-
Amounts transferred to income statement	-	-
Other reclassifications	-	-
Entities accounted for by the equity method	2,866	1,576
Revaluation gains/losses	2,866	1,576
Amounts transferred to income statement	-	-
Other reclassifications	-	-
Other recognised income and expenses	-	-
Income tax	(5,175)	(7,299)
C) TOTAL RECOGNISED INCOME AND EXPENSES	**54,122**	**74,576**
Attributed to parent	54,153	74,703
Attributed to minority interest	(31)	(127)

(*) The figures for 2013 year end have been restated in accordance with the changes in accounting policies mentioned in Notes 2.5, 3.17 and 4.
(**) The 2013 figures relate to the Cajas Rurales Unidas Consolidated Group, the parent entity of which is Cajas Rurales Unidas, Sociedad Cooperativa de Crédito (Note 1).

Consolidated Statement of Total Changes in Equity for the year ended 31 December 2014

Thousands of euros

	Own Funds												
	Capital/Endowment fund	Share premium	Accumulated reserves (losses)	Reserves (losses) in entities accounted for by the equity method	Other Equity instruments	Less: Treasury shares	Profit for the period attributed to parent	Less: Dividend and remuneration	Total Own Funds	Valuation adjustments	Total	Minoritary Interests	Total equity
Closing balance at 31 December 2013 (*)	**2,315,833**	**-**	**377,526**	**6,038**	**25,464**	**-**	**51,704**	**(75,728)**	**2,700,837**	**9,775**	**2,710,612**	**620**	**2,711,232**
Adjustments due to changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjustments made to correct errors	-	-	-	-	-	-	-	-	-	-	-	-	-
Opening balance adjusted	**2,315,833**	**-**	**377,526**	**6,038**	**25,464**	**-**	**51,704**	**(75,728)**	**2,700,837**	**9,775**	**2,710,612**	**620**	**2,711,232**
Total income and expenses recognised	**-**	**-**	**(236)**	**-**	**-**	**-**	**37,144**	**-**	**36,908**	**17,245**	**54,153**	**(31)**	**54,122**
Other changes in equity (**)	**(1,502,283)**	**-**	**(29,876)**	**4,517**	**2,347,309**	**(790,900)**	**(51,704)**	**18,368**	**(4,569)**	**-**	**(4,569)**	**6**	**(4,562)**
Capital/Endowment fund increase	813,550	-	-	-	-	-	-	-	813,550	-	813,550	-	813,550
Capital reductions	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of financial liabilities to capital	-	-	-	-	-	-	-	-	-	-	-	-	-
Increases in other equity instruments	-	-	-	-	31,403	-	-	-	31,403	-	31,403	-	31,403
Financial liabilities trasferred to other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
Other equity instruments transferred to financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Distribution of dividends/Remuneration of members	-	-	-	-	-	-	-	(57,360)	(57,360)	-	(57,360)	-	(57,360)
Operations with own equity instruments (net)	-	-	-	-	-	(790,900)	-	-	(790,900)	-	(790,900)	-	(790,900)
Reclassifications	(2,315,833)	-	(29,642)	4,632	2,315,906	-	(50,792)	75,728	-	-	-	-	-
Increases (reductions) due to risk combinations	-	-	-	-	-	-	-	-	-	-	-	-	-
Optional transfer to welfare funds	-	-	-	-	-	-	(912)	-	(912)	-	(912)	-	(912)
Payments with equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
Other increases (reductions) in equity	-	-	(234)	(115)	-	-	-	-	(349)	-	(349)	6	(343)
Closing balance at 31 December 2014	**813,550**	**-**	**347,414**	**10,555**	**2,372,773**	**(790,900)**	**37,144**	**(57,360)**	**2,733,176**	**27,021**	**2,760,197**	**595**	**2,760,792**

(*) The figures for 2013 year end have been restated in accordance with the changes in accounting policies mentioned in Notes 2.5, 3.17 and 4.
(**) See analysis of variations in Note 17 Own funds

Consolidated Statement of Total Changes in Equity for the year ended 31 December 2013 (*)

Thousands of euros

	Own Funds												
	Capital/Endowment fund	Share premium	Accumulated reserves (losses)	Reserves (losses) in entities accounted for by the equity method	Other Equity instruments	Less: Treasury shares	Profit for the period attributed to parent	Less: Dividend and remuneration	Total Own Funds	Valuation adjustments	Total	Minoritary Interests	Total equity
Closing balance at 31 December 2012	**2,003,748**	**-**	**1,380,235**	**(3,186)**	**75,679**	**-**	**(938,506)**	**(13,498)**	**2,504,472**	**(12,929)**	**2,491,543**	**835**	**2,492,378**
Adjustments due to changes in accounting policies (*)	-	-	(34,692)	-	-	-	-	-	(34,692)	-	(34,692)	-	(34,692)
Adjustments made to correct errors	-	-	-	-	-	-	-	-	-	-	-	-	-
Opening balance adjusted (*)	**2,003,748**	**-**	**1,345,543**	**(3,186)**	**75,679**	**-**	**(938,506)**	**(13,498)**	**2,469,780**	**(12,929)**	**2,456,851**	**835**	**2,457,686**
Total income and expenses recognised (*)	**-**	**-**	**295**	**-**	**-**	**-**	**51,704**	**-**	**51,999**	**22,705**	**74,704**	**(127)**	**74,576**
Other changes in equity	**312,085**	**-**	**(968,312)**	**9,224**	**(50,215)**	**-**	**938,506**	**(62,230)**	**179,058**	**-**	**179,058**	**(88)**	**178,970**
Capital/Endowment fund increase	252,486	-	-	-	9,384	-	-	-	261,870	-	261,870	-	261,870
Capital reductions	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of financial liabilities to capital	-	-	-	-	-	-	-	-	-	-	-	-	-
Increases in other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
Financial liabilities trasferred to other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
Other equity instruments transferred to financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Distribution of dividends/Remuneration of members	-	-	(7,052)	-	-	-	-	(75,728)	(82,780)	-	(82,780)	-	(82,780)
Operations with own equity instruments (net)	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassifications	-	-	(962,243)	9,601	-	-	939,144	13,498	-	-	-	-	-
Increases (reductions) due to risk combinations	59,599	-	-	(38)	(59,599)	-	-	-	(38)	-	(38)	-	(38)
Optional transfer to welfare funds	-	-	-	-	-	-	-	-	-	-	-	-	-
Payments with equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
Other increases (reductions) in equity	-	-	983	(339)	-	-	(638)	-	6	-	6	(88)	(82)
Closing balance at 31 December 2013 (*)	**2,315,833**	**-**	**377,526**	**6,038**	**25,464**	**-**	**51,704**	**(75,728)**	**2,700,837**	**9,775**	**2,710,612**	**620**	**2,711,232**

(*) The figures for 2013 year end have been restated in accordance with the changes in accounting policies mentioned in Notes 2.5, 3.17 and 4.

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Consolidated Cash Flow Statements

	Thousands of euros	
	2014	**2013 (*)**
CASH FLOWS FROM OPERATING ACTIVITIES	**(109,643)**	**(1,712,815)**
Profit or loss from the period	**37,113**	**51,576**
Adjustments to obtain cash flows on operating activities:	**546,979**	**530,540**
Depreciation and amortisation	77,854	81,678
Other adjustments	469,125	448,862
Net increase/decrease in operating assets:	**(5,297,454)**	**1,039,648**
Financial liabilities held for trading	(108)	(560)
Other financial assets at fair value through profit or loss	27,037	18,066
Available-for-sale financial assets	(2,277,065)	1,833,954
Loans and receivables	(3,466,348)	(942,178)
Other assets de explotación	419,030	130,366
Net increase/decrease in operating liabilities:	**(5,978,154)**	**(1,235,832)**
Financial liabilities held for trading	-	-
Other financial liabilities at fair value through profit or loss	-	-
Financial liabilities at amortised cost	(6,006,420)	(1,027,985)
Other financial liabilities	28,266	(207,847)
Collection/Payments on account on income tax	**(13,035)**	**(19,451)**
CASH FLOWS FROM INVESTING ACTIVITIES	**124,842**	**1,695,090**
Payments:	**322,874**	**426,067**
Tangible assets	230,687	160,064
Intangible assets	10,100	218,395
Investments	4,975	-
Other business units	-	-
Non-current assets and associated liabilities held for sale	77,112	47,608
Held-to-maturity investments	-	-
Other settlements related to investing activities	-	-
Collections:	**447,716**	**2,121,157**
Tangible assets	161,327	83,359
Intangible assets	218,245	-
Investments	-	38,259
Other business units	-	-
Non-current assets and associated liabilities held for sale	44,793	66,310
Held-to-maturity investments	23,351	1,933,229
Other payments relating investing activities	-	-
CASH FLOWS FROM FINANCING ACTIVITIES	**(3,234)**	**150,050**
Payments:	**57,360**	**111,820**
Dividends	57,360	75,728
Subordinated liabilities	-	36,092
Redemption of own equity instruments	-	-
Adquisition of own equity instruments	-	-
Other collections relating financial activities	-	-
Collections:	**54,126**	**261,870**
Subordinated liabilities	-	-
Issuance of own equity instruments	54,126	261,870
Disposal of own equity instruments	-	-
Other collections relating financing activities	-	-
EFFECT OF EXCHANGE RATE CHANGES		**-**
NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS	**11,965**	**132,325**
CASH OR CASH EQUIVALENTS AT BEGINNING OF PERIOD	**498,759**	**366,434**
CASH OR CASH EQUIVALENTS AT END OF PERIOD	**510,724**	**498,759**

MEMORANDUM ITEM	Thousands of euros	
	2014	**2013**
COMPONENTS OF CASH OR CASH EQUIVALENTS AT END OF PERIOD		
Cash and banks	294,660	316,467
Cash equivalent balances with central banks	216,064	182,292
Other financial assets	-	-
Less: Bank overdrafts having the nature of a financial liabilitiy	-	-
TOTAL CASH OR CASH EQUIVALENTS AT END OF PERIOD	**510,724**	**498,759**

(*) The figures for 2013 year end have been restated in accordance with the changes in accounting policies mentioned in Notes 2.5, 3.17 and 4.

Contents

1. General Information

1.1. Nature of the entity

The parent entity of the Grupo Cooperativo Cajamar is Banco de Crédito Social Cooperativo, S.A. Grupo Cooperativo Cajamar has replaced and it is the continuation of the former Cajas Rurales Unidas Cooperative Group which was headed by Cajas Rurales Unidas, Sociedad Cooperativa de Crédito. The Spanish Central Bank Executive Committee agreed to consider the Group as a consolidable group of credit institutions and also classified the agreement between Banco de Crédito Social Cooperativo, S.A. and the rural savings banks involved as an Institutional Protection System (IPS).

Banco de Crédito Social Cooperativo, S.A. is a duly registered private bank governed by the regulations governing credit institutions and private banking. On 18 February 2014 it was entered in the Register of Banks and Bankers under code number 0240, with tax ID number A86853140. Its registered office is in Paseo de la Castellana 87, 28046 Madrid.

Banco de Crédito Social Cooperativo, S.A. was incorporated by the 32 founding shareholders in 2014 under a public deed executed before the Madrid notary Mr. José Enrique Cachón Blanco on 28 January 2014 under number 293 of his record, entered in the Madrid Mercantile Register in Volume 31,884, Folio 131, Page M-573805, Entry 1 on 10 February 2014. The shareholders that granted the deed were authorised by the Spanish Central Bank under an authorisation issued on 27 January 2014 by the Directorate General for Financial Regulation and Stability, in the terms laid down in Royal Decree 1245/1995.

As the parent of the new Group, the Bank undertakes the management and oversight of the Group since the main part of the management structure and human resources of Cajas Rurales Unidas, Sociedad Cooperativa de Crédito were transferred to it. It is responsible for laying down the management instructions to be followed by the Group entities and for providing them with support. The Bank commenced operations on 1 July 2014, by virtue of the provisions of its Bylaws and Incorporation deed, after obtaining the requisite authorisation from the Spanish Central Bank's Executive Committee, under a resolution adopted at a meeting held on 6 June 2014. The Grupo Cooperativo Cajamar is classified as a Consolidable Group of Credit Institutions and Institutional Protection System.

Its prevailing Bylaws are the result of the execution in a public deed of corporate resolutions on 14 May 2014 before the notary public of Almería, Mr. Lazaro Gallego Salas, under number 618 of his record, which is duly registered in the Mercantile Registry of Almería, Volume 31,884, Book 0, Folio 166, Section 8, Page M-573805 entry 13, dated 16 June 2014.

The Bank is essentially governed by Law 10/2014 on the Organisation, Supervision and Solvency of Credit Institutions (Official State Gazette 156 of 27 June 2014) and Royal Decree 1245/1995 on the creation of banks, cross-border activities and other matters relating to the legal regulation of credit institutions.

The Bank's current share capital amounts to €813,550 thousand, fully subscribed and paid in by the 32 founding shareholders.

Cajas Rurales Unidas, Sociedad Cooperativa de Crédito (former parent entity) is a cooperative by nature, which has the status and classification of a Credit Cooperative and focuses its preferential activity and attention on its shareholders.

The Governing Boards of Cajamar, Caja Rural, Sociedad Cooperativa de Crédito and Caja Rural del Mediterráneo, Rural Caja, Sociedad Cooperativa de Crédito approved the plan for the merger of both entities. The aforementioned merger plan led to the formation of Cajas Rurales Unidas, Sociedad Cooperativa de Crédito, as was verified through the foundational agreement and pact of its forming entities, two pre-existing credit cooperatives, Cajamar Caja Rural, Sociedad Cooperativa de Crédito and Caja Rural del Mediterráneo, Ruralcaja, Sociedad. Cooperativa de Crédito. These entities were dissolved without liquidation and Caja Rurales Unidas, Sociedad Cooperativa de Crédito succeeded and assumed through universal succession all their rights and obligations, operations, contracts, customers and shareholders, through its actual formation. With respect to its Credit Institution status, it is entered in the Spanish Central Bank Special Register of Credit Cooperatives under code number 3058.

Cajamar Caja Rural, Sociedad Cooperativa de Crédito, an Entity making up Cajas Rurales Unidas, Sociedad Cooperativa de Crédito, was founded in 1963, under the name Caja Rural de Almería, Sociedad Cooperativa de Crédito through the foundational deed pursuant to the agreement of the founding entities. Cajamar Caja Rural, Sociedad Cooperativa de Crédito, was the entity resulting from the merger, performed in 2000, of Caja Rural de Almería, Sociedad Cooperativa de Crédito and Caja Rural de Málaga, Sociedad Cooperativa de Crédito which was absorbed by the former. Subsequently, Cajamar Caja Rural, Sociedad Cooperativa de Crédito carried out several merger processes, all these merger processes were carried out through the absorption of several rural saving banks by Cajamar Caja Rural, Sociedad Cooperativa de Crédito, and therefore entailed succession through universal title to all rights and obligations of the target entities that were dissolved.

Grupo Cooperativo Cajamar

The formation of Cooperative Group was completed in accordance with Cooperative Law 27/1999, which establishes a wide and flexible general framework through which to channel initiatives of collaboration and integration between cooperative companies and in particular, Article 78 of that Law which provides for the formation of the so-called *cooperative groups* understood, for the purposes thereof as "*the group formed by several cooperative companies, of whatever class, and the parent of the group that exercises powers or issues mandatory instructions for the grouped cooperatives such that there is decision-making unity within such powers*".

In the event that the parent entity of the Group is not a cooperative society, the general commitments undertaken vis-à-vis the Group must be formalised in a notarised contract.

Similarly, Article 80.8 of European Parliament and Council Directive 2006/48/CE (14 June 2006) and the relevant transposition legislation in Spain, in particular Spanish Central Bank Circular 3/2008 (22 May), and subsequent amendments, regarding the calculation and control over minimum equity resources, establish the purposes, objectives and rules for the so-called **"Institutional Protection Systems"** ("Sistemas Institucionales de Protección"), hereinafter SIP, that Law 36/2007 (16 November) brought into Spanish legislation and Royal Decree 216/2008 (15 February) developed in terms of regulations. Based on these bodies of legislation, the Spanish Central Bank issued Circular 3/2008, and subsequent amendments, and Point Two and Fifteen stipulate the conditions under which the Spanish Central Bank would consider a SIP exists and would authorise the relevant conditions.

On the basis of the aforementioned regulations and considerations, the resolution to establish the Cooperativo Cajamar Group was approved on 25 February 2014. The Cooperativo Cajamar Group has been formed under the legal regime of "Cooperative Group" in order to strengthen the member entities and enable balance sheets to be consolidated and business strategies, management policies and risk control, solvency and liquidity shared.

The Spanish Central Bank's Executive Committee agreed to consider the Grupo Cooperativo Cajamar as a consolidable group of credit institutions and also classified the agreement between Banco de Crédito Social Cooperativo, S.A. and the participating rural savings banks as an Institutional Protection System (IPS).

The Grupo Cooperativo Cajamar has replaced and continued with the business of the former Cajas Rurales Unidas Cooperative Group to which all the signatory entities of the Group's s Regulating Contract belonged ("Member Entities"), except for Banco de Crédito Social Cooperativo, S.A. ("parent entity" or "the Bank").

The contractual agreements concluded among all the members of Grupo Cooperativo Cajamar state that the Group's parent entity is Banco de Crédito Social Cooperativo, S.A. and therefore its Board of Directors is the Group's maximum decision taking body, which entails the senior management and supervision of the Group's activities. The following powers are assigned to it on an exclusive basis: strategic management, external representation, internal coordination, issuance of equity instruments, establishment of risk policies and regulations, control and audit, cash management and coverage of the minimum capital ratio, approval of business plans, defining of commercial, pricing and distribution policies, geographical expansion policy, determination of technological and information platforms, personnel policy, determination of the remuneration framework for capital contributions by the savings banks to the Group and the determination of the distribution and application of profits.

The Regulating Contract stipulates the rights and obligations of the member entities and the competencies delegated to them in the parent entity, Banco de Crédito Social Cooperativo, S.A., waiving their own decision-taking powers in the Bank's favour to ensure the existence of a single decision-taking unit. As Banco de Crédito Social Cooperativo, S.A. oversees and manages the Group's policies, its instructions are mandatory for all participants companies in the Cooperative Group.

Under such Agreement and also in accordance with the requirements laid down in Circular 3/2008, solvency commitments are established which are reciprocal, direct and unconditional, in order to avoid situations of bankruptcy and assess the Groups' capital needs on a common basis and set a solvency objective for them that all participants undertake to maintain. Additionally, a mandatory capitalisation plan is established in the event that any of them report a shortfall with respect to the committed objective.

Similarly, the Agreement envisages a liquidity commitment and in the event of any insufficiency, they include a liquidity plan in order to return to normality.

All of the aforementioned commitments, as well as the mutualisation of results, do not represent any obstacle, in accordance with the legislation on which the Agreement is based, for each of the credit institutions signing the agreement and any joining in the future, to be open to new members, maintain full legal status, governing and management bodies, employees and employment framework, their own brand and the management of their Education and Promotion Fund.

In addition, Banco de Crédito Social Cooperativo, S.A., based on the Regulating Contract, is responsible for monitoring the solvency and liquidity of the Group and all the member entities, and for agreeing the assistance measures to be adopted in order to help any Member Entity that might undergo solvency difficulties. As a result, the Board of Directors of Banco de Crédito Social Cooperativo, S.A. will issue the instructions aimed at ensuring the solvency and liquidity of the Group and the member entities if this is required by the Spanish Central Bank under Article 26.7 of Royal Decree 216/2008 or the regulations that enable or replace the same.

The integrated entities in new Grupo Cooperativo Cajamar - as participants- as well as their incorporation date approved by their General Assemblies, and the date of authorization by the Spanish Central Bank Executive Committee are detailed as follows:

Entity	Assembly Celebration Date	Spanish Central Bank Approval Date
Banco de Crédito Social Cooperativo, S.A	28/01/2014	06/06/2014
Cajas Rurales Unidas, Sociedad Cooperativa de Crédito	28/11/2013	06/06/2014
Caixa Rural Altea, Cooperativa de Credit Valenciana	27/11/2013	06/06/2014
Caja Rural San José de Burriana, Coop. de Crédito V.	28/11/2013	06/06/2014
Caixa Rural de Callosa d´En Sarriá, Cooperativa de Crédito Valenciana	28/11/2013	06/06/2014
Caixa Rural San José de Nules, S. Coop. de Crédito V.	28/11/2013	06/06/2014
Caja Rural de Cheste, Sociedad Cooperativa de Crédito	28/11/2013	06/06/2014
Caja Rural de Alginet, S. Coop. de Crédito V.	28/11/2013	06/06/2014
Caja Rural San Jaime De Alquerías Niño Perdido, Coop. de Crédito V.	28/11/2013	06/06/2014
Caja Rural de Villar, Coop. de Crédito V.	28/11/2013	06/06/2014
Caixa Rural San Josep de Vilavella, S. Coop. de Crédito V.	28/11/2013	06/06/2014
Caja Rural San Roque de Almenara, S. Coop. de Crédito V.	28/11/2013	06/06/2014
Caja Rural La Junquera de Chilches, Coop. de Crédito V.	28/11/2013	06/06/2014
Caja Rural San Isidro de Vilafamés, Coop. de Crédito V.	28/11/2013	06/06/2014
Caja Rural Católico Agraria, Coop. de Crédito V.	28/11/2013	06/06/2014
Caixa Rural Sant Vicente Ferrer de la Vall D´Uixo, S. Coop. de Crédit V.	28/11/2013	06/06/2014
Caja de Crédito de Petrel, Caja Rural, Cooperativa de Crédito Valenciana	29/11/2013	06/06/2014
Caixa Rural de Turís, Cooperativa de Crédito Valenciana.	28/11/2013	06/06/2014
Caixa Rural Albalat Dels Sorells, Cooperativa de Crédit Valenciana	28/11/2013	06/06/2014
Caixa Rural de Torrent, Cooperativa de Crédit Valenciana	28/11/2013	06/06/2014

Banco de Crédito Social Cooperativo, S.A. commenced its activities in 2014 and on 1 July 2014 undertook the management of the Group and assumed responsibility for its operations, business policies and procedures.

The essential objectives of the Group are the following:

- Contribute towards meeting the financial needs of member entity shareholders having the legal form of credit cooperatives, with maximum effectiveness, efficiency and robustness, through improved management and use of centralised services, which enable reductions in processing costs and improve margins;

- Define, on a consistent basis, common strategic policies that will guide the actions of the member entities, without prejudice to each of their separate legal personalities;

- Act in the market as a reliable operator against other competitors and, with this objective: develop a common brand for the Group with respect to individual brand names; achieve a single rating which recognises the potential of the Group as a financial operator; and achieve a greater presence in the retail and wholesale markets, so that member entities may offer new, better and broader services to their shareholders and customers, and access financing channels;

- Protect the member entities' financial stability in order to guarantee their solvency and liquidity without this limiting the obligation that falls to each of them to maintain their own solvency and liquidity, and to comply with the regulations applicable to them;

- Bring together the representation of member entities before the regulatory and supervisory bodies and represent and defend, on a coordinated basis, their common interests in any field.

- Establish and coordinate a common internal system of monitoring, audit and control, and diversify the risks inherent in the business of member entities;

- Offer member entities' employees a framework for secure, broad and appropriate professional development, based on selection and promotion by merit, by means of comprehensive training aimed at establishing their professional careers.

The Group is governed by principles of solidarity, cooperation and subsidiarity.

Only legally recognised credit cooperatives can be member entities of the Grupo Cooperativo Cajamar that have been duly formed in accordance with applicable legislation had which have received all legally requisite authorisations, and which assume the commitments set out in the Group Regulating Contract with respect to both the Group and the other member entities. Group member entities may not transfer their position in the Group to any third part, nor the rights and obligations of any nature arising from such membership.

Duration of the Grupo Cooperativo Cajamar and rules governing separation from the Group

The Group was created with the aim of being stable credit cooperative organisation. In this respect, the duration of the Group is unlimited although a mandatory minimum period of ten consecutive years is laid down for member entities as from the date of incorporation of each member entity into the Cooperative Group and its associated institutional protection system regulated by the Group Regulating Contract.

After this minimum membership period has elapsed, voluntary exit from the Group may be requested with prior notice of at least two years, provided prior authorisation is obtained from the supervisory authorities. As an exception the member entity Cajas Rurales Unidas, Sociedad Cooperativa de Crédito ("Cajas Rurales Unidas") assumes the indefinite character of the Cooperative Group and undertakes not to request its voluntary separation from the Group or to exercise the right of separation at any time without first obtaining the prior express authorisation of the parent entity.

During the transitional period between the notification of exit and the actual separation, the Member Entity concerned shall forfeit all its voting rights as a Member of the Group and the voting and dividend rights arising from its equity interest in the Bank, while maintaining its obligations to contribute its own resources to the Group as a continuation of its solvency commitments.

If so decided by the parent entity, the entity shall sell and transfer the shares it owns to the parent entity or other member entities (as decided by the parent entity), free of all charges and encumbrances and with all related voting and dividend rights at a price equal to the lower of (i) the fair value of the shares at the time of transfer and (ii) the acquisition value of the shares.

Each of the member entities recognises that it does not hold any rights, if it exits the Group, to the assets or liabilities that might figure on the balance sheet of the parent entity or to the Bank's business.

Voluntary separation from the Group is penalised by way of damages in an amount equivalent to 2% of the total average assets of the entity requesting separation. Additionally, the voluntary separation of a member entity must also be authorised by the Spanish Central Bank.

Any amendment of certain aspects of the Contract will result in the right of the Group member entities to apply for separation provided this is authorised by the Spanish Central Bank, with the same effects as described above for voluntary separation. The right of separation may only be exercised on an absolutely extraordinary and exceptional basis. Specifically, it may request in the event of an amendment to the contract which the entity in question had voted against, and which necessarily consists of one of the following circumstances:

- A significant increase in the powers delegated by member entities to the parent entity, provided that this does not result from a regulatory change or is not supported by at least half of the Group member entities other than the parent entity;

- A unilateral reduction by the parent entity of over half the maximum credit risk limits initially established in the manuals referred to in the Regulating Contract, provided that such reduction does not result from: compliance with mandatory regulations or from a requirement or recommendation by the Spanish Central Bank; disciplinary measures; or is not supported by at least half of the member entities other than the parent entity.

The forced departure of member entities shall occur when they cease to meet the requirements for Group membership or a very serious breach of the obligations undertaken by a member entity occurs; this is subject to the approval of the parent entity's Board of Directors. In this event they will be required to sell and transfer their shares in the parent entity for an overall price of 1 euro and will bear an additional penalty for damages equivalent to 5% of their average total assets, whatever the grounds from their expulsion from the Group.

Membership of Grupo Cooperativo Cajamar, holding and transfer of shares

Admission of a credit cooperative as a new Group member must be preceded by an application approved by its governing bodies, and will involve a necessary acquisition of parent company share capital either by taking up shares in a capital increase or by purchasing shares from one of its shareholders.

Member entities are required at all times to maintain full ownership of their shares in the parent entity and any preferential subscription rights they may hold, free of charges and encumbrances and with all relevant dividend and voting rights.

Member entities may only transfer shares in the parent entity to other member entities and third parties with the prior permission of the parent entity.

Powers delegated by member entities to the Group parent entity

Member entities have delegated the following functions and competencies to the parent entity:

- Strategic Group management:
- Budgeting of the Group and member entities;
- Issuance of instruments qualifying as equity, except contributions to the capital of cooperative members by member entities. However, Cajas Rurales Unidas has delegated authorisation for the reimbursement of capital contributions that are requested in order to safeguard the Group's solvency to the parent entity.
- Policies, procedures and risk controls;
- Cash management;
- Business plan;
- Geographical expansion and determining the size of the network;
- Internal control and audit;
- Personnel policy, including all aspects of remuneration policy, both fixed and variable, and, if appropriate, the possible existence of senior management contracts, the terms of their termination and pension or similar commitments;
- Technology and information platforms;
- Determining the remuneration framework for capital contributions;
- Determining the distribution or application of profits.

The parent entity must lay down guidelines and, where appropriate, issue mandatory instructions in the above areas.

Grupo Cooperativo Cajamar parent entity

The parent entity will exercise all the powers delegated to the Group and issue mandatory instructions to all member entities.

The parent entity is responsible for drawing up the consolidated accounts for all Group member entities in accordance with Law 13/1985 on investment ratios, equity and reporting requirements for financial intermediaries, and EU Regulation 575/2013 on prudential requirements for credit institutions. The parent entity also represents the Group before the relevant authorities.

The parent entity is responsible for the following:

- Drawing up and signing the consolidated annual accounts and directors' report of the Group as well as preparing the individual accounts for each member entity, without prejudice to their having been prepared and approved by the competent governing bodies of each member entity;

- Filing the consolidated annual accounts and directors' report, and the auditor's report, with the relevant registries;

- Preparing the Group's “Report on information which is relevant for prudential purposes" in compliance with the reporting requirements of Spanish Central Bank Circular 3/2008 or any report which might replace it in the future and any other reports that might be required under the relevant legislation, notwithstanding that, where appropriate, said report must be approved by the governing bodies of each member entity;

- Preparing the Capital Self-Assessment Report for the Group;

- Appointing the auditors of the consolidated annual accounts;

- Assuming the duties arising from relations with supervisors, such as preparing and submitting documentation and information relating to the Group or its member entities, meeting the requirements and facilitating the inspection activities by the supervisor, and others requirements envisaged in applicable legislation;

- Representing the Group and each of its member entities before the single European supervisor, the Spanish Central Bank and the National Securities Market Commission, other supervisory authorities, administrative authorities and any other related entities such as auditors or credit rating agencies;

- Defining the remuneration policy for company directors, senior managers and staff, applicable in the member entities as a whole, as provided in applicable regulations and best corporate governance practices;

- Establishing common rules on expense authorisation for all Group entities and monitoring compliance;

- Issuing a prior report on the appointment or dismissal of the general manager of a Group member entity. If the report is unfavourable to the appointment, it must also be binding;

- Ensuring the implementation, fulfilment and continuous improvement of corporate governance standards in the Group in line with best practices;

- Exercising all the powers delegated by the member entities.

The parent entity is responsible for monitoring the solvency and liquidity of the Group and each of the member entities; it must also act, at all times, under the principles of independence, impartiality, professionalism and technical rigour, and it is subject to a duty of confidentiality with the exception of the obligation to report to the supervisory authorities.

Finally, the parent entity, by delegation of the other member entities, is the ultimate decision making body, above the governing bodies of the various entities with respect to the following matters:

- Dissolution of a Group member entity.
- Merger, demerger and transformation of a Group member entity.
- While both these decisions are the responsibility of each entity's Assembly, they may not be implemented without the prior, unconditional authorisation of the parent entity's Board of Directors.
- Remuneration framework for contributions and distribution of the member entities' profits.
- In addition, Cajas Rurales Unidas has delegated authorisation for the reimbursement of capital contributions that are requested in order to safeguard the Group's solvency to the parent entity.

Mutualisation of results

The mutualisation of results consists of the obligation of reciprocal financial assistance in the form a solvency and liquidity guarantee between the members of the group, in accordance with the provisions of Articles 80.8 of EC Directive 48/2006 and 26.7 of Royal Decree 216/2008, Rule 15 of Spanish Central Bank Circular 3/2008 and through the reference to Article 8.3.d) of Law 13/1985.

The maximum amount which each Group company commits in order to provide financial assistance to guarantee the solvency of another or other group entities stands at 100% of total capital.

The mutualisation of results system is a mechanism for Group integration in order to strengthen the economic unity which is the basis on the Group’s consolidation.

The amounts derived from the mutualisation are recorded on the income statement under “Other operating income - Other recurring items”. In the event of losses, they are recognised under “Other operating expenses - other items”.

Each year the entities making up the Group will contribute 100% of gross results to build a fund which will be distributed between entities in proportion to the interest of each of them in the system.

In 2014 there was a change in the Group's parent entity (Note 1.1) and there were also changes in Group's structure and operating methods. As a result, the method for recognising and determining each member entity's shareholding changed from measurement through a percentage of the average total assets (ATA) of each member entity as per the Group's ATA to a distribution proportional to their interest in the Group's equity. In this way, the Group has pooled its results based on the rates determined according to the ATAs from 1 January 2014 to 30 June 2014, the date on which the parent entity changed, while the results arising between 1 July 2014 and 31 December 2014 have been pooled based on the new rates determined on the basis of the interest in the Group's equity.

Each entity's interest in total Group equity is calculated taking into consideration the following definitions:

- Gross profit/ (loss): Pre-tax profit made in the financial year or calculation period by each member entity as reflected in their individual financial statements, excluding (i) amounts recognised due to previous pooling within the same calculation period, (ii) dividends or any other kind of payment due to equity interests in any other Group entity and (iii) impairment losses on holdings in the share capital of Group entities.

- Member entity's equity: Amount reflected under equity on the published financial statements of each entity less the book value of equity interests held in any other member entity.

- Group equity: Sum of equity of all Group entities, as defined above.

The pooling rate applicable to each entity is calculated annually following the end of the financial year and is effective and applicable during the following year.

This calculation period may be shortened in the event that, within a financial year, the following takes place:

- A variation in the Group's equity due to:

  - The incorporation or separation of a member entity.
  - A business combination between a member entity and a non-member entity.
  - An increase or reduction in the parent's share capital, unless the same is carried out against other equity items.

- A change in the ownership structure of the parent entity that affects at least one member entity.

The calculation period will not be reduced due simply to the merger of two or more member entities, because the entity resulting from the merger will automatically, as from the effective date of the merger for accounting purposes, be allocated the rate resulting from the sum of the rates pertaining to the merged entities.

If any of the events leading to the reduction in the frequency of calculation take place, the parent entity will recalculate the pooling rates in accordance with the above indications. These rates are effective from the day on which these transactions are effective for accounting purposes until the end of the year or date on which one of these events occurs again.

In order to ensure maximum internal fairness, the parent entity determines the gross profit generated in the month in which the change occurs, which will be apportioned equally over each day of that month, in order to determine the amount to be distributed in each of the calculation periods.

Appendix I to these consolidated annual accounts shows the percentage interest of each participating entity in the above periods. At 31 December 2014, the pooling rate of the parent entity is 27.93%.

<u>Group solvency and liquidity</u>

The Group guarantees the solvency and liquidity of the member entities in the terms set out in the Regulating Contract. To achieve this, the member entities provide each other with mutual guarantees.

The mutual guarantees imply that the Group must meet, if necessary, the member entities' payment obligations towards non-subordinated creditors.

Liability for payment obligations with third parties and financing obligations assumed by each Group entity is joint and several in nature, without prejudice to the right of recourse of the member entities that meet such obligations against the other entities in proportion to each of their regulatory minimum equity in the last financial year.

The parent entity is responsible for monitoring the solvency and liquidity of the Group and each member entity.

Member entities must comply with the binding instructions issued by the parent entity in accordance with the powers delegated to it under the Regulating Contract, in order to safeguard the solvency and liquidity of all member entities.

The Group member entities understand that the mutual guarantee referred to above is a last resort, the enforcement of which should be avoided, since it will only be required when a member entity is involved in a bankruptcy or liquidation process. In order to prevent a member entity finding itself in such a situation, the parent entity's executive bodies, at the request of the member entity concerned or at its own initiative, will determine the utilisation of resources to assist the member entity that might be undergoing difficulties.

The Group may agree to support a member entity in difficulty using any of the following resources:

- Acquisition of assets;
- Contributions to share capital and subscription of shares;
- Subscription and payment of bonds, equivalent securities or subordinated debt treated as equity;
- Liquidity loans;
- Guarantees against third parties;
- Any others that are feasible and consistent with the difficulties they seek to resolve.

In cases in which the parent entity has authorised assistance without the beneficiary entity having requested assistance, the latter shall be required to give its full cooperation, adopting, where appropriate, the corporate resolutions that may prove necessary to implement the assistance.

When the parent entity has resolved to help a member entity in difficulty, the other member entities should help to facilitate the assistance, in accordance with their obligations under the contract. However, if any of the member entities that have to provide assistance is in such a situation that the provision of such assistance could jeopardise its own solvency or reduce its liquidity to unadvisable levels, it may be exempted temporarily or permanently for providing said assistance. This exemption may be reasonably requested by a member entity or appreciated directly by the parent. Notwithstanding the foregoing, the parent entity may not exempt any member entity when others could find themselves in the same difficulties in the event that they assume the part that pertains to the entity seeking exemption.

In the event that a member entity is exempted from its commitment to contribute, the parent entity will prepare a capitalisation plan for it, which it will be required to comply with.

The support that might be provided by Group member entities to any other entity will be guaranteed, in any event, by the complete equity of the receiving entity.

When approving the assistance, the parent entity will determine any limitations to be applied to the application of the profits of the member entity that has received assistance in order to ensure the fastest possible resolution of the situation of the entity concerned. These limitations may be maintained while the provision of the assistance remains in effect.

When the parent entity has agreed to provide assistance by means of the arrangements described above, member entities' participation in the assistance they grant will be in proportion to their equity and solvency.

Solvency commitment

The member entities make up a consolidable group of credit institutions with direct, reciprocal unconditional commitments to provide financial assistance in order to avoid insolvency situations and to evaluate their capital needs on a common basis.

The parent entity must monitor each member entity's compliance with legal minimum capital requirements and the solvency commitments provided for in this contract, both when they join the Group and at any other time. These commitments will comply with those stipulated by prevailing legislation, at the least.

The parent entity is responsible for the Group's capital planning.

Member entities must have a sufficient level of eligible equity to cover the minimum solvency requirements laid down by the Group.

When a Group entity needs to implement a recapitalisation plan it may propose, providing the necessary explanations, that the plan should be arranged through the issuance of equity instruments, through the partial assignment of assets necessarily to one or more Group member entities, or a combination of both these measures. The recapitalisation plan must be approved by the parent entity.

Liquidity commitment

The parent entity must monitor each member entity's compliance with the liquidity commitments provide for in this contract, both when they join the Group and at any other time.

Liquidity commitments are the following:

- Maintaining the liquidity ratio established for the Group;
- Financial assistance in cases of illiquidity.

Group member entities undertake to maintain an adequate financial structure in their balance sheets and sufficient liquidity for the proper running of the business. The Group is committed, if necessary, to providing liquidity to any of its member entities in order to avoid their insolvency.

The Group member entities may not obtain short-term wholesale funding outside the Group, unless expressly authorised by the parent entity.

The Liquidity Plan may include one or more of the following measures:

- Sale of assets;

- Special measures to adapt funding and investment positions, in order to reduce net exposure;

- Obtaining wholesale financing;

- Any others that contribute to the objective in question.

Cooperative Group's immediately available financial resources.

In order to provide the Group with the necessary agility to ensure the solvency and liquidity of the entities that make it up, the member entities authorise the parent entity to utilise the funds deposited with it to assist any member entity when the conditions established in this contract for their potential use are met and subject to the limitations specified therein.

Maximum to be contributed by each member entity.

The maximum amount which each member entity commits to in order to provide financial assistance to guarantee the solvency of other group entities stands at 100% of their eligible equity. All the financial assistance instruments envisaged may be implemented when appropriate without prejudice to the aid which is provided for at any time in applicable Spanish and EU legislation.

The individual balance sheets, the individual income statements, individual statements of recognised revenues and expenses, individual statements of changes in equity and the individual cash flow statements for Banco de Crédito Social Cooperativo, S.A. for the year ended 31 December 2014, and Cajas Rurales Unidas for the years ended 31 December 2014 and 2013, prepared in accordance with the accounting standards and policies and valuation standards established by Spanish Central Bank Circular 4/2004 and subsequent amendments published in Spanish Central Bank Circular 6/2008, are presented below (Note 2.5).

a) Individual balance sheets from Banco de Crédito Social Cooperativo, S.A. and Cajas Rurales Unidas Sociedad Cooperativa de Crédito as at 31 December 2014 and 2013:

	Thousands of euros		
	BCSC	**Cajas Rurales Unidas, Soc, Coop. Cdto.**	
	2014	**2014**	**2013 (*)**
ASSETS			
Cash and balances with central banks	6	495,463	483,253
Financial liabilities held for trading	-	357	488
Other financial assets at fair value through profit or loss	-	46,173	19,011
Available-for-sale financial assets	1	797,041	3,093,799
Loans and receivables	1,853,600	30,157,026	33,809,015
Held-to-maturity investments	-	-	-
Changes in the fair value of the hedged items in portfolio hedges of interest rate risk	-	-	-
Hedging derivatives	-	61,006	126,998
Available-for-sale non current assets	-	408,961	360,151
Investments	-	774,402	56,359
Insurance contracts linked to pensions	-	-	-
Tangible assets	14,948	703,860	714,454
Intangible assets	68,803	278,669	332,507
Tax assets	11,937	892,666	883,042
Other assets	276	142,408	88,145
TOTAL ASSETS	**1,949,571**	**34,758,032**	**39,967,222**
LIABILITIES AND EQUITY			
Financial liabilities held for trading	-	351	58,259
Other financial liabilities at fair value through profit or loss	-	-	-
Financial liabilities at amortised cost	1,153,840	31,681,693	36,916,688
Changes in the fair value of the hedged items in portfolio hedges of interest rate risk	-	-	-
Hedging derivatives	-	3,623	6,715
Liabilities associated with non-current assets held for sale	-	-	-
Provisions	107	108,283	94,194
Tax liabilities	2,042	100,912	102,760
Education and Development Fund	-	8,549	9,721
Other liabilities	7,462	306,975	293,682
Capital having the nature of a financial liability	-	-	-
TOTAL LIABILITIES	**1,163,451**	**32,210,386**	**37,482,019**
Own funds	**786,120**	**2,529,936**	**2,480,199**
Capital	813,550	2,339,498	2,330,505
Share premium	-	-	-
Reserves	(239)	149,528	178,097
Other equity instruments	-	-	-
Less: Treasury shares	-	-	-
Profit (loss) for the year	(27,191)	97,901	47,552
Less: dividends and remuneration	-	(56,991)	(75,955)
Valuation adjustments	**-**	**17,710**	**5,004**
TOTAL EQUITY	**786,120**	**2,547,646**	**2,485,203**
TOTAL LIABILITIES AND EQUITY	**1,949,571**	**34,758,032**	**39,967,222**
MEMORANDUM ITEM			
Contingent exposures	-	596,558	707,048
Contingent commitments	-	2,455,401	2,044,420
TOTAL MEMORANDUM ACCOUNTS	**-**	**3,051,959**	**2,751,468**

(*) Cajas Rurales Unidas´ figures for 2013 have been restated in accordance with the changes in accounting policies mentioned in Notes 2.5, 3.17 and 4.

b) Individual income statements from Banco de Crédito Social Cooperativo, S.A. and Cajas Rurales Unidas Sociedad Cooperativa de Crédito for the years ended 31 December 2014 and 2013:

	Thousands of euros		
	BCSC	**Cajas Rurales Unidas, Soc, Coop. Cdto.**	
	2014	**2014**	**2013 (*)**
Interest and similar income	14,918	925,501	1,137,146
Interest expense and similar charges	(69)	(414,472)	(529,681)
Remuneration of capital having the nature of a financial liability	-	-	-
NET INTEREST INCOME	**14,849**	**511,029**	**607,465**
Return on equity instruments	-	13,265	10,720
Fee and commission income	-	282,190	273,336
Fee and commission expense	(146)	(21,190)	(23,627)
Gains or losses on financial assets and liabilities (net)	-	366,995	230,835
Exchange differences	-	2,309	1,794
Other operating income	59,858	87,631	22,531
Other operating expenses	(50,909)	(59,867)	(106,885)
GROSS INCOME	**23,652**	**1,182,362**	**1,016,169**
Administrative expenses	(52,720)	(442,271)	(418,771)
Personnel expenses	*(27,857)*	*(270,151)*	*(297,557)*
Other administrative expenses	*(24,865)*	*(172,120)*	*(121,214)*
Depreciation and amortisation	(9,262)	(66,765)	(76,379)
Provisioning expenses (net)	(49)	(24,886)	(93,045)
Impairment losses on financial assets (net)	(331)	(597,805)	(77,029)
NET OPERATING INCOME	**(38,710)**	**50,635**	**350,945**
Impairment losses on rest of assets (net)	-	(100,003)	(307,404)
Gains (losses) on disposal of assets not classified as non-current assets held for sale	-	172,381	(6,232)
Negative difference un business combinations	-	-	-
Gains (losses) on non-current assets held for sale not classified as discontinued operations	-	(21,347)	(14,429)
PROFIT BEFORE TAX	**(38,710)**	**101,666**	**22,880**
Income tax	11,519	780	24,769
Assigned to the Education and Development Fund	-	(4,545)	(97)
PROFIT FOR THE PERIOD FROM DISCONTINUED OPERATIONS	**(27,191)**	**97,901**	**47,552**
Profit or loss discontinued operations (net)	-	-	-
PROFIT OR LOSS FOR THE PERIOD	**(27,191)**	**97,901**	**47,552**

(*) Cajas Rurales Unidas´ figures for 2013 have been restated in accordance with the changes in accounting policies mentioned in Notes 2.5, 3.17 and 4.

c) Individual statements of recognized income and expenses from Banco de Crédito Social Cooperativo, S.A. and Cajas Rurales Unidas Sociedad Cooperativa de Crédito recognised for the years ended 31 December 2014 and 2013:

	Thousands of euros		
	BCSC	Cajas Rurales Unidas, Soc, Coop. Cdto.	
	2014	2014	2013 (*)
A) PROFIT FOR THE PERIOD	**(27,191)**	**97,901**	**47,552**
B) OTHER RECOGNISED INCOME AND EXPENSES	**-**	**12,540**	**17,343**
B.1) Items that will not be relcassified to income	-	(166)	533
Actuarial gains and losses in pension plans to defined benefit	-	(229)	722
Non-current assets held for sale	-	-	-
Income tax related to items that will not be reclassified to income	-	63	(189)
B.2) Items that may be reclassified to income	-	12,706	16,809
Available-for-sale financial assets	-	17,394	22,593
Revaluation gains/losses	-	370,629	183,009
Amounts transferred to income statement	-	(353,235)	(160,416)
Other reclassifications	-	-	-
Cash flow hedges	-	-	-
Hedge of net investments in foreign operations	-	-	-
Exchange differences	-	-	-
Non-current assets held for sale	-	-	-
Actuarial guarantees (losses) in pension plans	-	-	-
Other recognised income and expenses	-	-	-
Income tax	-	(4,688)	(5,784)
TOTAL RECOGNISED INCOME AND EXPENSES (A + B)	**(27,191)**	**110,441**	**64,895**

(*) Cajas Rurales Unidas´ figures for 2013 have been restated in accordance with the changes in accounting policies mentioned in Notes 2.5, 3.17 and 4.

d) Individual statements of changes in equity from Banco de Crédito Social Cooperativo, S.A. and Cajas Rurales Unidas Sociedad Cooperativa de Crédito for the years ended 31 December 2014 and 2013:

<u>Banco de Crédito Social Cooperativo, S.A:</u>

	Thousands of euros									
	Own Funds									
	Capital/Endowment fund	Share premium	Accumulated reserves (losses)	Other Equity instruments	Less: Treasury shares	Profit for the period	Less: Dividend and remuneration	Total Own Funds	Valuation adjustments	Total equity
Closing balance at 31 December 2013	-	-	-	-	-	-	-	-	-	-
Adjustments due to changes in accounting policies	-	-	-	-	-	-	-	-	-	-
Adjustments made to correct errors	-	-	-	-	-	-	-	-	-	-
Opening balance adjusted	-	-	-	-	-	-	-	-	-	-
Total income and expenses recognised	-	-	-	-	-	(27,191)	-	(27,191)	-	(27,191)
Other changes in equity	813,550	-	(239)	-	-	-	-	813,311	-	813,311
Capital/Endowment fund increase	813,550	-	-	-	-	-	-	813,550	-	813,550
Capital reductions	-	-	-	-	-	-	-	-	-	-
Conversion of financial liabilities to capital	-	-	-	-	-	-	-	-	-	-
Increases in other equity instruments	-	-	-	-	-	-	-	-	-	-
Financial liabilities trasferred to other equity instruments	-	-	-	-	-	-	-	-	-	-
Other equity instruments transferred to financial liabilities	-	-	-	-	-	-	-	-	-	-
Distribution of dividends/Remuneration of members	-	-	-	-	-	-	-	-	-	-
Operations with own equity instruments (net)	-	-	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-	-	-	-
Increases (reductions) due to risk combinations	-	-	-	-	-	-	-	-	-	-
Optional transfer to welfare funds	-	-	-	-	-	-	-	-	-	-
Payments with equity instruments	-	-	-	-	-	-	-	-	-	-
Other increases (reductions) in equity	-	-	(239)	-	-	-	-	(239)	-	(239)
Closing balance at 31 December 2014	813,550	-	(239)	-	-	(27,191)	-	786,120	-	786,120

<u>Cajas Rurales Unidas, Sociedad Cooperativa de Crédito:</u>

	Thousands of euros									
	Own Funds									
	Capital/Endowment fund	Share premium	Accumulated reserves (losses)	Other Equity instruments	Less: Treasury shares	Profit for the period	Less: Dividend and remuneration	Total Own Funds	Valuation adjustments	Total equity
Closing balance at 31 December 2013 (*)	2,330,505	-	178,097	-	-	47,552	(75,955)	2,480,199	5,004	2,485,203
Adjustments due to changes in accounting policies	-	-	-	-	-	-	-	-	-	-
Adjustments made to correct errors	-	-	-	-	-	-	-	-	-	-
Opening balance adjusted	2,330,505	-	178,097	-	-	47,552	(75,955)	2,480,199	5,004	2,485,203
Total income and expenses recognised	-	-	(166)	-	-	97,901	-	97,735	12,706	110,441
Other changes in equity	8,993	-	(28,403)	-	-	(47,552)	18,964	(47,998)	-	(47,998)
Capital/Endowment fund increase	8,993	-	-	-	-	-	-	8,993	-	8,993
Capital reductions	-	-	-	-	-	-	-	-	-	-
Conversion of financial liabilities to capital	-	-	-	-	-	-	-	-	-	-
Increases in other equity instruments	-	-	-	-	-	-	-	-	-	-
Financial liabilities trasferred to other equity instruments	-	-	-	-	-	-	-	-	-	-
Other equity instruments transferred to financial liabilities	-	-	-	-	-	-	-	-	-	-
Distribution of dividends/Remuneration of members	-	-	-	-	-	-	(56,991)	(56,991)	-	(56,991)
Operations with own equity instruments (net)	-	-	-	-	-	-	-	-	-	-
Reclassifications	-	-	(28,403)	-	-	(47,552)	75,955	-	-	-
Increases (reductions) due to risk combinations	-	-	-	-	-	-	-	-	-	-
Optional transfer to welfare funds	-	-	-	-	-	-	-	-	-	-
Payments with equity instruments	-	-	-	-	-	-	-	-	-	-
Other increases (reductions) in equity	-	-	-	-	-	-	-	-	-	-
Closing balance at 31 December 2014	2,339,498	-	149,528	-	-	97,901	(56,991)	2,529,936	17,710	2,547,646

(*) Cajas Rurales Unidas´ figures for 2013 have been restated in accordance with the changes in accounting policies mentioned in Notes 2.5, 3.17 and 4.

	Thousands of euros									
	Own Funds									
	Capital/Endowment fund	Share premium	Accumulated reserves (losses)	Other Equity instruments	Less: Treasury shares	Profit for the period	Less: Dividend and remuneration	Total Own Funds	Valuation adjustments	Total equity
Closing balance at 31 December 2012	**2,022,567**	**-**	**1,141,460**	**-**	**-**	**(953,736)**	**12,226**	**2,222,517**	**(11,806)**	**2,210,711**
Adjustments due to changes in accounting policies (*)	-	-	(31,650)	-	-	-	-	**-**	**-**	(31,650)
Adjustments made to correct errors	-	-	-	-	-	-	-	**-**	**-**	-
Opening balance adjusted (*)	**2,022,567**	**-**	**1,109,810**	**-**	**-**	**(953,736)**	**12,226**	**2,190,867**	**(11,806)**	**2,179,061**
Total income and expenses recognised (*)	-	-	533	-	-	47,552	-	**48,085**	**16,810**	**64,895**
Other changes in equity	**307,938**	**-**	**(932,246)**	**-**	**-**	**953,736**	**(88,181)**	**241,247**	**-**	**241,247**
Capital/Endowment fund increase	248,339	-	-	-	-	-	-	**248,339**	-	**248,339**
Capital reductions	-	-	-	-	-	-	-	**-**	-	**-**
Conversion of financial liabilities to capital	-	-	-	-	-	-	-	**-**	-	**-**
Increases in other equity instruments	-	-	-	-	-	-	-	**-**	-	**-**
Financial liabilities trasferred to other equity instruments	-	-	-	-	-	-	-	**-**	-	**-**
Other equity instruments transferred to financial liabilities	-	-	(7,052)	-	-	-	(75,955)	**(83,007)**	-	**(83,007)**
Distribution of dividends/Remuneration of members	-	-	-	-	-	-	-	**-**	-	**-**
Operations with own equity instruments (net)	-	-	(966,601)	-	-	954,374	(12,226)	**(24,453)**	-	**(24,453)**
Reclassifications	59,599	-	40,769	-	-	-	-	**100,368**	-	**100,368**
Increases (reductions) due to risk combinations	-	-	-	-	-	-	-	**-**	-	**-**
Optional transfer to welfare funds	-	-	-	-	-	-	-	**-**	-	**-**
Payments with equity instruments	-	-	-	-	-	-	-	**-**	-	**-**
Other increases (reductions) in equity	-	-	638	-	-	(638)	-	**-**	-	**-**
Closing balance at 31 December 2013 (*)	**2,330,505**	**-**	**178,097**	**-**	**-**	**47,552**	**(75,955)**	**2,480,199**	**5,004**	**2,458,203**

(*) Cajas Rurales Unidas´ figures for 2013 have been restated in accordance with the changes in accounting policies mentioned in Notes 2.5, 3.17 and 4.

e) Individual cash-flow statements from Banco de Crédito Social Cooperativo, S.A. and Cajas Rurales Unidas Sociedad Cooperativa de Crédito for the year ended 31 December 2014 and 2013:

	Thousands of euros		
	BCSC	Cajas Rurales Unidas, Soc, Coop. Cdto.	
	2014	2014	2013 (*)
CASH FLOWS FROM OPERATING ACTIVITIES	**(720,531)**	**779,277**	**520,209**
Profit or loss from the period	**(27,191)**	**97,901**	**47,552**
Adjustments to obtain cash flows on operating activities:	**4,906**	**548,516**	**601,943**
Depreciation and amortisation	9,262	66,765	76,379
Other adjustments	(4,356)	481,751	525,564
Net increase/decrease in operating assets:	**1,856,453**	**(5,262,657)**	**847,747**
Financial liabilities held for trading	-	-	-
Other financial assets at fair value through profit or loss	-	27,163	19,011
Available-for-sale financial assets	1	(2,240,441)	203,217
Loans and receivables	1,853,868	(3,119,270)	1,053,146
Other assets de explotación	2,584	69,891	(427,627)
Net increase/decrease in operating liabilities:	**1,154,122**	**(5,114,349)**	**758,472**
Financial liabilities held for trading	-	-	-
Other financial liabilities at fair value through profit or loss	-	-	-
Financial liabilities at amortised cost	1,153,531	(5,137,004)	925,929
Other financial liabilities	591	22,655	(167,457)
Collection/Payments on account on income tax	**4,085**	**(15,448)**	**(40,011)**
CASH FLOWS FROM INVESTING ACTIVITIES	**(93,013)**	**(719,068)**	**(570,212)**
Payments:	93,013	988,249	**1,081,783**
Tangible assets	18,617	43,204	479,501
Intangible assets	74,396	6,144	219,128
Investments	-	823,645	267,419
Other business units	-	-	-
Non-current assets and associated liabilities held for sale	-	115,256	115,735
Held-to-maturity investments	-	-	-
Other settlements related to investing activities	-	-	-
Collections:	-	269,181	**511,571**
Tangible assets	-	29,509	403,614
Intangible assets	-	194,580	237
Investments	-	1,522	20,013
Other business units	-	-	-
Non-current assets and associated liabilities held for sale	-	43,570	87,707
Held-to-maturity investments	-	-	-
Other payments relating investing activities	-	-	-
CASH FLOWS FROM FINANCING ACTIVITIES	**813,550**	**(47,999)**	**203,388**
Payments:	**-**	**56,992**	**104,550**
Dividends	-	56,992	75,955
Subordinated liabilities	-	-	28,595
Redemption of own equity instruments	-	-	-
Adquisition of own equity instruments	-	-	-
Other collections relating financial activities	-	-	-
Collections:	**813,550**	**8,993**	**307,938**
Subordinated liabilities	-	-	-
Issuance of own equity instruments	813,550	8,993	307,938
Disposal of own equity instruments	-	-	-
Other collections relating financing activities	-	-	-
EFFECT OF EXCHANGE RATE CHANGES	**-**	**-**	**-**
NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS	**6**	**12,210**	**153,385**
CASH OR CASH EQUIVALENTS AT BEGINNING OF PERIOD	**-**	**483,253**	**329,868**
CASH OR CASH EQUIVALENTS AT END OF PERIOD	**6**	**495,463**	**483,253**

MEMORANDUM ITEM	Thousands of euros		
	BCSC	Cajas Rurales Unidas, Soc, Coop. Cdto.	
	2014	2014	2013 (*)
COMPONENTS OF CASH OR CASH EQUIVALENTS AT END OF PERIOD	-		
Cash and banks	-	279,549	301,116
Cash equivalent balances with central banks	6	215,914	182,138
Other financial assets	-	-	-
Less: Bank overdrafts having the nature of a financial liabilitiy	-	-	-
TOTAL CASH OR CASH EQUIVALENTS AT END OF PERIOD	**6**	**495,463**	**483,254**

(*) Cajas Rurales Unidas´ figures for 2013 have been restated in accordance with the changes in accounting policies mentioned in Notes 2.5, 3.17 and 4.

1.2. Corporate purpose

The Group's corporate objects are to engage in all kinds of activities, operations and services in the banking business in general, which are in accordance with applicable law, including the provision of investment services and ancillary services, in the terms laid down in Securities Market regulations. Its objects include the following activities:

- Carry out operations of all kinds related to securities and documentary credit, notwithstanding the provisions of legislation governing securities markets and collective investment.
- Carry out credit and surety operations, for both lending and funding purposes, of any class, on its own behalf or for third parties.
- Acquire or transfer for its own account or on commission, shares, bonds and other public or private, national or foreign titles, banknotes and coins of all countries and make public offerings for the acquisition and sale of securities.
- Receive and place on deposit or in administration, cash, securities and all kinds of shares. The Bank shall not be deemed to be authorised to dispose of the deposits over which it has custody in any manner.
- Carry out all kinds of operations with current accounts, term deposits or any other kind of account.
- Accept and grant administrations, representations, delegations, commissions, agencies or other actions in the interests of those who use the Bank's services.
- All other activities that private banks are allowed to engage in under applicable legislation.

The activities that make up its objects may be performed wholly or partly indirectly, in any form permitted by law and, in particular, through the ownership of shares or interests in companies whose objects are identical or analogous, accessory or complementary to such activities.

When administrative authorisation or public registration is required for the provision of investment services and ancillary services, such activities may not commence until all administrative requirements have been fulfilled under applicable regulations.

The Entities participating in the Cooperative Group and, therefore, the group itself, have the corporate purpose to serve the financial needs of its members and third parties, and may perform any credit or deposit-taking activity, banking or quasi-banking service, giving preference to the financial demands of its members and may carry out credit operations with non-members up to a limit of 50% of the bank’s total resources.

1.3. Registered office

The registered office of the parent entity of the Cooperative Group is located in Paseo de la Castellana 87, 28046 Madrid, Spain, and it may establish branches, agencies and representative offices anywhere in Spanish territory and abroad, in accordance with applicable legislation.

The parent entity has various work and operating centres although at present there are no offices open to the public or its clientele in general. It carries on its activities within the framework of the Grupo Cooperativo Cajamar, of which it is the parent. However, the rest of the entities belonging to the Group operate a network of branches across the country, as explained in Appendix II to these consolidated annual accounts.

1.4. Legal matters

As the Cooperative group is a financial institution, it is subject to certain legislation that regulates, among other things, the following:

- Maintaining a minimum percentage of resources on deposit at the national central bank of a country participating in monetary union (euro) to cover the minimum reserve ratio, which was established at 1% of qualifying liabilities at 31 December 2014. (Note 7.1).

- For the parent entity, dividend payments and shareholder remuneration in general are subject to the legislation governing credit institutions having the status of Private Banks.

- For the Credit Cooperatives, distribution of at least 20% of the available surplus obtained during the year to the Mandatory Reserve Fund that serves the purpose of consolidating and guaranteeing the Cooperative Group and 10% to the Education and Promotion Fund (see Note 3.13).

- Keeping a minimum level of capital and reserves (Notes 3.15 and 18).

- Making an annual contribution to the Deposit Guarantee Fund to provide a further guarantee, in addition to the bank's capital and reserves, to its creditors and customers. (Note 3.17).

The credit institutions pertaining to Grupo Cooperativo Cajamar pertains to the Credit Cooperative Deposit Guarantee Fund, which provides up to 100 thousand Euros in guarantees for each depositor (Note 3.17).

Grupo Cooperativo Cajamar is subject to the following general legislation, among other regulations, governing credit institutions:

- International Financial Reporting Standards (IFRS) adopted by the European Union.

- Spanish Central Bank Circular 4/2004 (22 December), and subsequent amendments, regarding Public and Reserved Financial Information, the preamble to which indicates that the content of the International Financial Reporting Standards adopted by the European Union has been respected.

- Spanish Central Bank Circular 3/2008 (22 May) and subsequent amendments, regarding the calculation and control of minimum equity resources on a consolidated basis for the credit institutions, as defined by Law 36/2007 (16 November) which amends Law 13/1985 (25 May), on investment ratios, equity and reporting obligations for financial intermediaries. This circular gives rise to the adaptation of Spanish legislation governing credit institutions to EU Directives 2006/48/CE and 2006/49/CE issued by the European Parliament.

- Spanish Central Bank Circular 2/2012 (29 February), which modifies Circular 4/2004 of Spanish Central Bank to adapt it to RDL 2/2012.

- Spanish Central Bank Circular 6/2012 (28 September), which modifies Anejo IX of Circular 4/2004 of Spanish Central Bank to adapt it to RDL 18/2012.

- Spanish Central Bank Circular 7/2012 (30 November), related to minimum capital requirements.

- Spanish Central Bank Circular 4/2013, of 27 September, amending Circular 3/2008, of 22 May, on the assessment and monitoring of minimum capital requirements of credit institutions in respect of the definition of small and medium sized companies.

- Spanish Central Bank Circular 5/2013, of 30 October, amending Circular 4/2004, of 22 December, on credit institutions' public and confidential reporting requirements and financial statement templates, and Spanish Central Bank Circular 1/2013, of 24 May, on the Risk Information Register.

- Spanish Central Bank Circular 3/2014, of 30 July, to credit institutions and authorised appraisal companies and services, whereby measures were established to promote the independence of valuation activities by amending Circulars 7/2010, 3/1998 and 4/2004, and regulatory options were exercised in relation to the deduction of intangible assets through the amendment of Circular 2/2014.

- Spanish Central Bank Circular 1/2014, of 31 January, on credit institutions, amending Circular 4/2004, of 22 December, on credit institutions' public and confidential reporting requirements and financial statement templates.

- Spanish Central Bank Circular 5/2014, of 28 November, amending Circular 4/2004, of 22 December, to credit institutions on public and confidential reporting requirements and financial statement templates.

- Royal Decree 1245/1995, of July 14, on the creation of banks, cross-border business and other issues relating to the legal regime of credit institutions.

- RD 716/2009 (24 April), which enables Law 2/1981 (25 March), which regulates the Mortgage Market. (Note 27).

- RD 2/2012 (3 February) on the strengthening of the financial system.

- Law 8/2012 (30 October) on the strengthening of the financial system and selling of real estate assets of the financial system.

- RD 18/2012 (11 May) on the strengthening of the financial system and selling of real estate assets of the financial system.

- Law 4/2014, of April 4, on the tax on bank deposits.

- Law 10/2014, of 26 July, on the Organisation, Supervision and Solvency of Credit Institution (published in the Official State Gazette on 27 June 2014).

- Law 27/2014, of November 27, on corporate income tax. (Official State Gazette 28 November).

- Law 31/2014, of 3 December, amending the Companies Act 2010 for the improvement of corporate governance. (Official State Gazette, 4 December 2014).

- European Parliament and Council Regulation (EU) 575/2013 of 26 June 2013, on prudential requirements for credit institutions and investment firms.

- European Parliament and Council Directive (EU) 2013/36 of 26 June 2013, relating to access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms.

- Regulation (EU) 1376/2014 of the European Central Bank of 10 December 2014 amending Regulation (EC) 1745/2003 on the application of minimum reserves (ECB/2003/9) (ECB/2014/52) (OJ of December 20).

Cajas Rurales Unidas and the other Credit Cooperatives are basically regulated by Law 13/1989 (26 May) on Credit Cooperatives and by its Enabling Regulations published in Royal Decree 84/1993 (22 January). The Entities are also subject to the general regulations covering credit institutions and, furthermore, by general legislation governing cooperatives. The Entities have adapted its by-laws to meet the provisions of Law 13/1989 (26 May) on Credit cooperatives, which was published in the Official State Gazette on 31 May 1989 and Law 27/1999 (16 July) on Cooperatives, published in the Official State Gazette on 17 July 1999. Entities' by-laws, relating to the calculation and application of results, establishes the following distribution of the available surplus: 10% to the Education and Promotion Fund, 20% to the Mandatory Reserve Fund for Cajas Rurales Unidas and 50% for the other Credit Cooperatives, and the remaining 70% as determined by members at a General Assembly, based on a proposal from the Governing Body of Cajas Rurales Unidas (50% for the other Credit Cooperatives).

Standards and interpretations issued by the International Accounting Standards Board (IASB) that came info force in 2014

In 2014 the following amendments to International Financial Reporting Standards (IFRS), or interpretations of IFRS (IFRIC), came into effect, the adoption of which amendments did not have a significant impact on these consolidated annual accounts:

IFRS 10, "Consolidated Financial Statements" (May 2011)	
Mandatory application year	Financial year commenced on 1 January 2013
Adopted by European Union	Adopted on December 2012 (To financial year commenced on 1 January 2014)
IFRS 11, "Joint arrangements" (May 2011)	
Mandatory application year	Financial year commenced on 1 January 2013
Adopted by European Union	Adopted on December 2012 (To financial year commenced on 1 January 2014)
IFRS 12, "Breakdown of investments in other Entities" (May 2011)	
Mandatory application year	Financial year commenced on 1 January 2013
Adopted by European Union	Adopted on December 2012 (To financial year commenced on 1 January 2014)
IAS 27 (revised 2011), "Separated financial statements" (May 2011)	
Mandatory application year	Financial year commenced on 1 January 2013
Adopted by European Union	Adopted on December 2012 (To financial year commenced on 1 January 2014)
IAS 28 (revised 2011), "nvestments in associates and joint ventures" (May 2011)	
Mandatory application year	Financial year commenced on 1 January 2013
Adopted by European Union	Adopted on December 2012 (To financial year commenced on 1 January 2014)
IAS 32 (Modification), "Financial Instruments: Presentation" - Compensation of financial assets with financial liabilities (December 2011)	
Mandatory application year	Financial year commenced on 1 January 2014
Adopted by European Union	Adopted on December 2012
IFRS 10, 11 and 12 (Modification) Transitory dispositions (July 2012)	
Mandatory application year	Financial year commenced on 1 January 2013
Adopted by European Union	Adopted on April 2013 (To financial year commenced on 1 January 2014)
IFRS 10 and 12, and IAS 27 (Modification) "Investment entities" (October 2012)	
Mandatory application year	Financial year commenced on 1 January 2014
Adopted by European Union	Adopted on November 2013
IAS 36 (Modification), "Assets impairment - Disclosure of the recoverable amount of non financial assets" (May 2013)	
Mandatory application year	Financial year commenced on 1 January 2014
Adopted by European Union	Adopted on December 2013
IAS 39 (Modification), "Financial Instruments - Novation of derivatives and continued hedge accounting" (June 2013)	
Mandatory application year	Financial year commenced on 1 January 2014
Adopted by European Union	Adopted on December 2013
IFRIC 21, "Levies" (May 2013)	
Mandatory application year	Financial year commenced on 1 January 2014
Adopted by European Union	Adopted on June 2014 (To financial year commenced on 17 June 2014)

In accordance with Regulation (EU) 634/2014 under which IFRIC 21 on levies was adopted, in 2014 the Group adjusted the balance sheet and income statement 2012 and 2013 to recognise outstanding payments to the Deposit Guarantee Fund (Notes 2.5, 2.17 and 4).

Standards, amendments and interpretations of existing standards that have not been adopted to date by the European Union

At 31 December 2014 the following standards and interpretations that could be applicable to the Group had been published by the IASB and/or IFRS Interpretations Committee but are not yet in force, either because their effective date is after the date of the consolidated financial statements or because they have not yet been approved by the European Union.

The Group has evaluated the impact that from it derivatives and had decided not to execute the option of early application, if possible, due to its immateriality.

IFRS 9, "Financial Instruments" (November 2009, October 2010, November 2013 and July 2014)	
Mandatory application year	Financial year commenced on 1 January 2018
IAS 19 (Modification), "Retributions to employees" Defined benefits plan: Employee contributions (November 2013)	
Mandatory application year	Financial year commenced on 1 July 2014
IFRS Annual Improvements. Cycle 2010-2012	
Mandatory application year	Financial year commenced on 1 July 2014
IFRS Annual Improvements. Cycle 2011-2013	
Mandatory application year	Financial year commenced on 1 July 2014
IFRS 14, "Regulatory deferral accounts" (January 2014)	
Mandatory application year	Financial year commenced on 1 January 2016
IFRS 11 (Modification), "Joint arrangements - Accounting for Acquisitions of Interests in Joint Operations " (May 2014)	
Mandatory application year	Financial year commenced on 1 January 2016
IAS 16 and IAS 38 (Modifications) "Acceptable methods of depreciation and amortisation" (May 2014)	
Mandatory application year	Financial year commenced on 1 January 2016
IFRS 15, "Revenue from Contracts with Customers" (May 2014)	
Mandatory application year	Financial year commenced on 1 January 2017
IAS 16 and IAS 41 (Modifications) "Agriculture: Bearer plants" (June 2014)	
Mandatory application year	Financial year commenced on 1 January 2016
IAS 27 (Modification) "Equity Method in Separate Financial Statements " (August 2014)	
Mandatory application year	Financial year commenced on 1 January 2016
IFRS 10 and IAS 28 (Modifications) "Sales or contributions of assets between an investor and its associate/joint venture" (September 2014)	
Mandatory application year	Financial year commenced on 1 January 2016
IFRS Annual Improvements. Cycle 2012-2014 (September 2014)	
Mandatory application year	Financial year commenced on 1 July 2016

On 24 July 2014, the IASB issued IFRS 9 which in future will replace IAS 39. There are relevant differences to the current regulation in relation to financial assets, among others, the approval of a new classification model based on only two categories of amortised cost and fair value, the elimination of the current classifications "Investments held to maturity" and "Financial assets available for sale", the analysis of impairment only for assets recorded at amortised cost and the non-segregation of implicit derivatives in financial asset contracts.

In relation to financial liabilities, the categories proposed by IFRS 9 are similar to those currently contained in IAS 39 and therefore there should not be relevant differences except for the requirement to record changes in fair value related to own credit risk as a component of equity in the case of financial liabilities are recorded to which the fair value option has been applied.

Hedge accounting will also undergo changes as the standard takes a different approach from the current IAS 39 in seeking to align the accounting treatment with the economic management of the risk concerned.

The IASB has laid down that the mandatory application date is 1 January 2018, with the possibility of early adoption.

1.5. Business Combinations.

On 29 May 2013, the Draft Terms of Merger, drawn up and approved by the respective Governing Boards, were approved at the General Assemblies of Cajas Rurales Unidas, Sociedad Cooperativa de Crédito, Credit Valencia Caixa Rural, Sociedad Cooperativa de Credito Valenciana and Caja Rural de Casinos, Sociedad Cooperativa de Credito Valenciana. On 28 June 2013 the Draft Terms of Merger, drawn up and approved by the respective Governing Boards, were approved at the General Assemblies of Cajas Rurales Unidas, Sociedad Cooperativa de Credito and Caja Rural de Canarias, Sociedad Cooperativa de Credito.

The above draft terms of merger envisaged the merger of Credit Valencia Caixa Rural, Sociedad Cooperativa de Credito Valenciana, Caja Rural de Casinos, Sociedad Cooperativa de Credito Valenciana and Caja Rural de Canarias, Sociedad Cooperativa de Credito into Cajas Rurales Unidas, Sociedad Cooperativa de Credito. Once all the required permits had been obtained, the merger deeds were registered in the Companied Register of Almeria on 4 November 2013. The transactions were accounted for with effect from 1 January 2013 for accounting purposes.

As a result of the merger agreements, and in light of the fact that the transferors were dissolved, the members of Credit Valencia Caixa Rural, Sociedad Cooperativa de Credito Valenciana, Caja Rural de Casinos, Sociedad Cooperativa de Credito Valenciana and Caja Rural de Canarias, Sociedad Cooperativa de Credito received a share of the capital of Cajas Rurales Unidas, Sociedad Cooperativa de Credito with a par value of €61 per share for every share they had held, with a unit par value of €60.11 in the entities.

In keeping with the events described in this Note, Cajas Rurales Unidas, Sociedad Cooperativa de Crédito proceeded to recognise the assets, liabilities and contingent liabilities of Credit Valencia Caixa Rural, Sociedad Cooperativa de Crédito Valenciana, Caja Rural de Casinos, Sociedad Cooperativa de Credito Valenciana and Caja Rural de Canarias, Sociedad Cooperativa de Credito in its financial statements, as well as the intangible assets not recognised by the latter that qualified as of the date of the transaction for recognition as such, all of which measured at their fair values.

The related balances at 1 January 2013 of Credit Valencia Caixa Rural, Sociedad Cooperativa de Crédito Valenciana, Caja Rural de Casinos, Sociedad Cooperativa de Credito Valenciana and Caja Rural de Canarias, Sociedad Cooperativa de Credito that were recognised in the financial statements of Cajas Rurales Unidas, Sociedad Cooperativa de Crédito(*) were as follows:

	Thousands of euros		
	C.R Canarias	C.R. Credit	C.R. Casinos
Assets			
Cash and balances with central banks	19,875	3,049	208
Financial liabilities held for trading	1,169	556	-
Other financial assets at fair value through profit or loss	1,070	-	-
Available-for-sale financial assets	104,149	91,843	3
Loans and receivables	956,513	464,582	40,826
Memorandum Item: Loaned or pledged	*47,394*	-	*8,593*
Held-to-maturity investments	26,810	2,066	10
Changes in the fair value of the hedged items in portfolio hedges of interest rate risk	-	-	-
Hedging derivatives	34	-	-
Available-for-sale non current assets	23,231	4,438	1,148
Investments	-	156	-
Insurance contracts linked to pensions	-	-	-
Tangible assets	27,724	8,497	758
Intangible assets	165	-	-
Tax assets	17,004	10,887	897
Other assets	5,643	11,375	251
TOTAL ASSETS	**1,183,387**	**597,449**	**44,101**

	Thousands of euros		
	C.R Canarias	C.R. Credit	C.R. Casinos
Liabilities			
Financial liabilities held for trading	1,170	-	-
Other financial liabilities at fair value through profit or loss	-	-	-
Financial liabilities at amortised cost	1,089,116	567,370	38,821
Changes in the fair value of the hedged items in portfolio hedges of interest rate risk	-	-	-
Hedging derivatives	948	221	-
Liabilities associated with non-current assets held for sale	-	-	-
Provisions	4,346	6,500	690
Tax liabilities	2,667	1,125	113
Education and Development Fund	-	134	4
Other liabilities	4,132	6,876	303
Capital having the nature of a financial liability	-	-	-
TOTAL LIABILITIES	**1,102,379**	**582,226**	**39,931**
Equity			
Capital	31,911	27,540	149
Reserves	50,928	3,242	4,773
Profit (loss) for the year	1,200	(17,177)	(752)
Dividends and remuneration	(1,189)	-	-
Valuation adjustments	(1,842)	1,618	-
TOTAL EQUITY	**81,008**	**15,223**	**4,170**
TOTAL LIABILITIES AND EQUITY	**1,183,387**	**597,449**	**44,101**

	Thousands of euros		
MEMORANDUM ITEM			
Contingent exposures	93,509	12,067	1,927
Contingent commitments	42,819	25,049	1,355
TOTAL MEMORANDUM ACCOUNTS	**136,328**	**37,116**	**3,282**

(*) Figures belong to audited Financial Statements of year 2012.

1.6. Transfers of real estate assets to the Asset Management Companies.

On 31 October 2012 Law 8/2012 concerning the write-down and sale of the financial sector's real estate assets was published. This established that credit institutions should contribute to a public limited company in the terms established in Chapter II the foreclosed assets or assets received as payment for debts referred to in Article 1.1 of Royal Decree Law 2/2012, i.e., those assets related to loans for property development and property construction or promotion.

The Entities set to receive public assistance had to transfer a significant part of the foreclosed assets, financing and interest in companies devoted to real estate construction and promotion to the Sociedad de Gestión de Activos procedentes de la Reestructuración Bancaria (SAREB). Credit institutions that had not received public assistance such as Grupo Cajas Rurales Unidas, Sociedad Cooperativa de Crédito, had the same time to transfer foreclosed real estate assets related to the financing of real estate construction and promotion to Asset Management Companies, as to arrange the additional cover described above.

The Group had held a wholly-owned subsidiary, Cimenta2, Gestión e Inversiones, S.L., to which it had been transferring the assets obtained from foreclosures and deeds in lieu of foreclosures in prior years. In order to comply with the requirements laid down in Law 8/2012, and within the deadline provided to this end, on 3 June 2013, Cimenta2 Gestión e Inversiones, S.L.U. and Gestión de Iniciativas Empresariales y Sociedades del Mediterráneo, S.L.U. (transferors) were merged into Casogesa, S.A.U. (transferee). The transferee's registered name was changed to Cimenta2 Gestión e Inversiones, S.A. after the merger.

In 2013 the Entity transferred assets with a carrying amount of €456,871 thousand to Cimenta 2 Gestión e Inversiones, S.A., in addition to transfer made in 2012 (Notes 9, 11 and 15).

The Group complied with the investment agreement which governs its interest in SAREB, according to the significant event dated 17 December 2012. The Group made an initial contribution of €11,750 thousand in the form of equity instruments (Note 7.5.b) and €35,200 thousand through the subscription of subordinated debt and there is a maximum additional commitment to subscribe capital amounting to €15,250 thousand and subordinated debt of €45,750 thousand.

1.7. Contracts in force between the parent entity and the Group entities.

At 31 December 2014, Banco de Crédito Social Cooperativo, S.A. had entered into a number of contracts during the year with the Following Group entities:

Contracted signed and notarised on **30 May 2014**:

- <u>Framework contract</u>: (i) concluded between Cajas Rurales Unidas, Sociedad Cooperativa de Crédito ("CRU") and Banco de Crédito Social Cooperativo, S.A. ("BCC" or "the Bank") and (ii) the purpose of which is to express the parties' desire to transfer, from CRU to BCC, a number of items accompanied by an organisational structure comprising material and human production factors that make up an independent economic unit, with the aim of said unit carrying out a business activity using its own resources.

Contract concluded on **30 June 2014**:

- <u>Contract for the purchase and sale of intangible assets</u>: (i) concluded between CRU and BCC and (ii) the purpose of which is to transfer to BCC a number of intangible assets, listed therein, so that BCC may carry on the activates covered by its corporate objects and provide general services to the member entities of the Grupo Cooperativo Cajamar.

Contracts concluded on **6 June 2014**:

- Contract for the provision of services by BCC to the other Grupo Cooperativo Cajamar entities: (i) concluded between BCC and the Group entities; (ii) its purpose is the provision by BCC to said entities of multidisciplinary management support services for their businesses: financial, IT, information, HR and other ancillary internal audit services, as well as risk management, accounting, legal and tax advisory and strategic planning services.

  In relation to this contract, BCC has concluded with the other Grupo Cooperativo Cajamar entities a data processing contract dated **1 July 2014** related to the reporting service of the Spanish Central Bank's Risk Information Office ("**CIR**") for providing information on those entities' risks with third parties, and for requesting reports from the CIR.

- Property lease contract (i) between CRU and BCC and (ii) the purpose of which is the leasing by CRU to BCC of certain buildings owned by it which are detailed in the contract.

- Contract for the purchase and sale of moveable goods: (i) between CRU and BCC (ii) the purpose of which is the transfer by CRU to BCC of the moveable goods described in the contract (cabinets, desks, chairs).

- Trademark License contract (i) between CRU and BCC and (ii) the purpose of which is the granting, by CRU and for the benefit of BCC, of an exclusive license for the exploitation of the distinctive signs owned by it described in the contract.

- Trademark sub-license contract (i) between BCC and the entities that comprise GCC (with the exception of CRU) and (ii) the purpose of which is the granting, by BCC in favour of the rest of the entities, of an exclusive sublicense for the exploitation of the distinctive signs licenced by CRU that are described in the contract.

- Service contract with Tarket; (i) between Tarket Gestión AIE ("Tarket") and BCC (ii) the purpose of which is to regulate the provision, by Tarket to BCC, of the services identified in the same and related to the following areas: infrastructure services, people management and human resource services, training services, administrative services, call centre services and security services.

- Service contract with Eurovía Tecnología: (i) between Eurovía Tecnología SL and BCC (ii) the purpose of which is the provision by Eurovía Tecnología to BCC of services related to the following areas: administration and management of technology infrastructure, maintenance and development of computer applications and management and development of technology projects.

- Service contract with Eurovía Informática; (i) between Eurovía Informática AIE and BCC (ii) the purpose of which is the provision by Eurovía Informática to BCC of services related to the following areas: administration and management of technology infrastructure, maintenance and development of computer applications and management and development of technology projects and support for payment services.

In addition, and as a result of the creation and start-up of Banco de Crédito Social Cooperativo S.A. as the Group's parent company and provider of services to the savings banks in the Grupo Cooperativo Cajamar, in June 2014 the production unit comprising Central and Corporate Services of Cajas Rurales Unidas was transferred to the Bank. In addition, and in accordance with Article 44 of the Workers' Statute, a total of 830 employees assigned to said Central Services were transferred.

1.8. Contract for the sale of the asset management and service business

During 2014, the Group has formalised a number of agreements related to the sale of the business consisting of the management of real-estate assets, mortgage loans, non-mortgage loans and securitised loans (APA), the provision of management services for these assets (SLA) and the provision of transitional services (TSA).

The purpose of these agreements is the sale of the real-estate asset, mortgage loan, non-mortgage loan and securitised loan management business. The operation is structured so that the real-estate asset, mortgage loan, non-mortgage loan and securitised loan management business is performed directly by Laformata Servicios y Gestiones, S.L. (the company acquiring the business) without any instrumental company performing said activity being involved.

The agreement for the sale of the real-estate asset, mortgage loan, non-mortgage loan and securitised loan management business (APA) includes the transfer of the resources necessary for the independent performance of the management activity. It also covers the transfer of a number of workers working in the property management and loan management areas. As from the date of transfer the acquiring company assumes the employment relations with the transferred employees, including seniority, pay and other conditions. Among the workers transferred, there is a group which retains its right of return. In this respect, the agreements reached in the context of this transaction prevent workers from exercising their right of voluntary return before 1 January 2016. Additionally, Grupo Cooperativo Cajamar has agreed a new right of return with some workers that may be exercised by them in certain circumstances and by the Group at any time as from 1 January 2016. There is an annual limit on the reinstatement into the workforce of Grupo Cooperativo Cajamar for the year ended 31 December 2016, and a maximum number of persons for each financial year between 2017 and 2024.

The agreement also envisages exclusivity in the provision of management services for a term of 10 years in relation to the following assets:

- Real estate owned by the Group as a result of foreclosure and recovery actions under financial operations, including repossessions and purchases, real estate assets resulting from investment or promotion operations (REOs).

- Mortgage loans granted by the Group which are more than 120 days overdue (irrespective of their accounting classification).

- Non-mortgage loans granted by the Group which are more than 120 days overdue.

- Loans allocated to a Securitisation Fund which are more than 120 days overdue.

- Movable property owned by the Group directly or indirectly as a result of foreclosure or recovery operations in the course of financial transactions.

The **SLA** also regulates (only for the purpose of information management): i) access by the manager to the Group's branch network; ii) access by the manager to the Group's IT resources; iii) the provision of financing to potential purchasers of REOs. The duration of this agreement is 10 years and it may be extended only by agreement between the parties. The parties may terminate the agreement in advance with one month's notice in the event of gross negligence. Likewise, the Group may terminate the agreement in advance under certain circumstances.

The SLA also covers management services with respect to:

- Real estate owned by borrowers the sale of which has been agreed to pay their debts to the Group, in the case of debts derived from mortgage and non-mortgage loans granted by the Group, even if payments are not overdue by more than one hundred and twenty (120) calendar days; and

- Obtaining and verifying the documentation for the initial management of cases affected by a declaration of bankruptcy, and notifying the parties concerned of the loans that are owed to the Group.

The Transitional Services Agreement **(TSA)** provides for the provision of these services to the buyer by the Group for a period of 12 months as from the date of transfer. These services are related to IT services and projects, personnel management services, general services, logistics centre services, expert advice and other support services related to the business and monthly pricing of services. The term can be extended for consecutive discretionary periods of six months to a maximum of 24. The Manager may waive any of the services with 30 days' notice.

Income from these agreements has been recognised in accordance with EU-IFRS. In particular, the transferred business complies with the definition of a business provided in IFRS 3, as it consists of a group of assets and resources, and the processes applied thereto, with the relevant products that generate ordinary revenue. Through this transaction the Group has transferred all significant risks and rewards to the purchaser, in accordance with IAS 39, while the Group does not retain any involvement in the ordinary management of the transferred business or any control over it. Finally, the revenues and costs associated with the activity may be reliably measures and will be received by the Group, in compliance with IAS 18 on revenue recognition.

The amount recorded for this sale stands at €225,000 thousand and has been recognised on the income statement under "Gains/(losses) from disposals of assets not classified as non-current available for sale" (Note 25).

2. Accounting standards and basis of presentation of the Annual Accounts

2.1. True and fair view

The consolidated annual accounts have been prepared in accordance with the Entity's accounting records and those kept by each of the companies and credit institutions making up the Cooperative Group and include all adjustments and reclassifications necessary to uniformly present the accounting and presentation criteria, and they are presented in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union, such that they reflect a true and fair view of the Group's equity, financial situation and results ; with the Spanish Code of Commerce; with Royal Decree-Law 1/2010 (2 July), whereby the revised Spanish Companies Act 2010 was introduced (LSC), repealing the Spanish Companies Act and the Spanish Limited Liabilities Companies Act; with Royal Decree 6/2010 on measures to encourage economic recovery and employment, with respect to the legal regime applicable to Institutional Protection Systems (SIP); and other applicable Spanish legislation, such that they give a fair view of the Group's equity, financial situation and results at 31 December 2014.

The 2014 consolidated annual accounts prepared by the governing Body will be submitted for the approval of the General Assembly, which is expected to be obtained without any modification being necessary.

When preparing the consolidated annual accounts the generally accepted accounting principles described in this and the following Note have been applied. No mandatory accounting principle or standard that has a significant effect on the consolidated annual accounts has been omitted

Entry of the Credit Institutions in the Cooperative Group into the scope of consolidation

In accordance with applicable accounting legislation (International Financial Reporting Standards and Spanish Central Bank Circular 4/2004 and subsequent amendments) in the business combinations involving financial institutions the various assets and liabilities relating to the entities considered to have been acquired, in this case the entities forming part of the Group other than the Parent Entity, must be adjusted for the purposes of the consolidated financial statements for the resulting Group, so that they reflect, in general, their fair value.

2.2. Going concern principle

The information in these annual accounts has been prepared with the consideration that the Group will continue as a going concern in the future and therefore the accounting policies have not been applied with the objective of determining the value of equity for the purposes of its full or partial transfer or any hypothetical liquidation.

2.3. Accrual basis of accounting

These consolidated annual accounts have been prepared on the basis of the real flow of goods and services, irrespective of the date of payment or collection.

2.4. Offset of balances

Only receivables and payables arising on transactions that, under contract or legislation, provide for possible offset and are to be settled at their net amount, or simultaneously realised and paid, are offset and therefore presented in the consolidated balance sheet at their net amount.

2.5. Comparability

The Board of Directors of Banco de Crédito Social Cooperativo, S.A. presents, for comparative purposes, for each of the figures in the present annual accounts, in addition to the figures for 2014 those relating to 2013. Information related to year ended 2013 included in this Annual Accounts is only disclosed in order to compare it with the year ended 2014 figures, so it is not considered as Annual Accounts for fiscal year 2013 of Banco de Crédito Social Cooperativo, S.A.

The information for 2013 has been restated for comparative purposes due to the application of the change in accounting policy in relation to the recognition of the contributions to the Deposit Guarantee Fund for Credit Institutions.

As a result of the interpretations developed under the regulatory framework of EU-IFRS during 2014, this framework being based on Circular 4/2004, and also taking into account the publication by the Fund Management Committee of the final schedule regarding certain outstanding payments, the Group has changed the accounting policies relating to the recording and accrual of contributions to the deposit guarantee fund so that these contributions, whether annual or extraordinary, are now accounted for on the basis of the period in which the payment obligation is generated. The retroactive application of this change has meant a decrease in profits for 2013 of €31,177 thousand net of taxes and a decrease of €34 692 thousand net of tax in reserves at 1 January 2013 (Notes 3.17 and 4).

The Group's consolidated annual accounts for 2013 were approved by the General Assembly held on 22 May 2014.

Unless otherwise stated, these annual accounts are presented in thousand Euros.

Appendix IV details the main headings of the individual balance sheets and income statements of the entities making up the Cooperativo Cajamar Group at 31 December 2014 and 2013, prepared in accordance with the accounting standards laid down in Spanish Central Bank Circular 4/2004 and subsequent amendments.

2.6. Use of judgements and estimates when preparing the financial statements

The preparation of these consolidated annual accounts requires the Entity's Governing Body to make judgements and estimates based on assumptions that affect the application of the accounting policies and standards and the amounts recognised under assets, liabilities, revenues, expenses and commitments. The most significant estimates used when preparing these annual accounts were:

- Impairment losses affecting financial assets (Notes 3.1.a, 3.1.c, 3.3, 7.5.a, 7.5.b, 7.6.b.5, 7.6.c and 7.7).

- The assumptions used in the actuarial calculations and the assumptions utilized to evaluate the liabilities and commitments for post-employment compensation (Note 3.20).

- Impairment losses and the useful life of property, plant and equipment and intangibles (Notes 3.7, 3.8, 3.9, 9, 11 and 12).

- The fair value of certain financial assets not listed on official secondary markets (Notes 3.1 and 3.27).

- Losses on future obligations deriving from contingent risks (Note 3.3 and 3.12).

- The reversal period for timing differences (Notes 3.18) and deferred tax assets recoverability.

- The fair value of certain guarantees linked to the collection of assets.

The estimates and assumptions used are based on past experience and other factors that have been considered to be the most reasonable at present and they are reviewed on a regular basis.

2.7. Consolidation principles

These consolidated annual accounts have been prepared using the full, proportional and equity methods of consolidation as stipulated by the aforementioned legislation, including the following companies at 31 December 2014 and 2013:

	2014		2013	
	% shareholding		% shareholding	
Company	direct	indirect (a)	direct	indirect
Group entities				
Cajas Rurales Unidas, S.C.C.	-	-	-	-
Caixa Rural Sant Vicent Ferrer de la Vall D'Uixo, S.C.C.V.	-	-	-	-
Caixa Rural Vila-Real, S.C.C.	-	-	-	-
Caja Rural de Torrent, S.C.C.	-	-	-	-
Caixa Rural Altea, S.C.C.V.	-	-	-	-
Caixa Rural de Callosa de Sarria, C.C.V.	-	-	-	-
Caixa Rural Sant Josep de Vilavella, S.C.C.V.	-	-	-	-
Caja Rural de Alginet, S.C.C.V.	-	-	-	-
Caja Rural de Cheste, S.C.C.	-	-	-	-
Caja Rural de Villar, C.C.V.	-	-	-	-
Caja Rural la Junquera de Chilches, C.C.V.	-	-	-	-
Caja Rural San Isidro de Vilafamés, C.C.V.	-	-	-	-
Caja Rural San Jaime de Alquerias Niño Perdido, C.C.V.	-	-	-	-
Caja Rural San Jose de Burriana, C.C.V.	-	-	-	-
Caja Rural San José de Nules, S.C.C.V.	-	-	-	-
Caja Rural San Roque de Almenara, S.C.C.V.	-	-	-	-
Caja de Crédito de Petrel, Caja Rural, C.C.V.	-	-	-	-
Caixa Rural Albalat dels Sorells, C.C.V.	-	-	-	-
Caixa Rural de Turís, C.C.V.	-	-	-	-
Alquileres Alameda 34, S.L. (b)	-	8.33%	8.33%	-
Cajamar Gestión, S.A.U. (c)	-	-	100.00%	-
Cajamar Inter. Op. Banca Seg. Vinculado, S.L.U. (b)	-	100.00%	100.00%	-
Cimenta2 Gestión e Inversiones, S.A.U. (b)	-	100.00%	100.00%	-
Eurovía Informática, A.I.E. (b)	1.00%	99.00%	81.00%	19.00%
Eurovía Tecnología S.L.U. (d)	-	100.00%	-	100.00%
Giesmed Parking, S.L.U. (e)	-	100.00%	-	100.00%
Grupo Hispatec Informática Empresarial, S.A. (b) (f)	-	12.49%	100.00%	-
Hotel Envía Golf, S.L.U. (e)	-	100.00%	-	100.00%
Inmuebles Alameda 34, S.L. (b)	-	4.62%	4.62%	-
Parque Industrial Accesosur, S.L. (b)	-	70.00%	70.00%	-
Sumando Recursos, S.L.U. (b) (g)	-	100.00%	100.00%	
Sunaria Capital, S.L.U. (b)	-	100.00%	100.00%	-
Talia Formación S.L.U. (d)	-	100.00%	-	100.00%
Tarket Gestión, A.I.E. (b)	1.00%	99.00%	80.00%	20.00%
Jointly controlled entities				
Safei Rural Málaga, S.A. (b)	-	50.00%	50.00%	-
Associates				
Acuariums de Almería, S.L. (d)	-	25.00%	-	25.00%
Agrocolor, S.L. (b)	-	32.37%	32.37%	-
Apartamentos Media Luna, S.A. (e)	-	50.00%	-	50.00%
Balsa de Insa, S.L.(h)	-	24.50%	-	24.50%
Biocolor, S.L. (d)	-	22.19%	-	22.19%
Cajamar Seguros Generales, S.A. de Seguros y Reaseguros (b)	-	50.00%	50.00%	-
Cajamar Vida, S.A. de Seguros y Reaseguros (b)	-	50.00%	50.00%	-
Cultipeix S.L. (d)	-	21.28%	-	21.28%
Habitat Utiel, S.L. (e)	-	25.00%	-	25.00%
Murcia emprende S.C.R., S.A. (b)	-	25.00%	25.00%	-
Occidental Arroyomolinos, S.L. (d)	-	25.00%	-	25.00%
Parque Científicio-Tecnológico de Almería, S.A. (b)	-	30.15%	30.05%	-
Proyecta Ingenio, S.L. (d)	-	24.90%	-	24.90%
Renovables la Unión, S.C.P. (i)	-	40.00%	-	40.00%
Sabinal Agroservicios, S.L. (b)	-	50.00%	50.00%	-
Solaes Fruit, S.L.(h)	-	25.00%	-	25.00%
Tino Stone Group, S.A. (b)	-	24.96%	24.96%	-

(a) Under the control of Banco de Crédito Social Cooperativo, S.A. as head of the Group, status acquired in the year 2014.
(b) indirect participation through Cajas Rurales Unidas, S.C.C.
(c) merger between Sunaria Capital, S.L.U. (transferor) and Cajamar Gestión, S.A.U. (transferee) in the year 2014.
(d) indirect participation through Sunaria Capital, S.A.U.
(e) indirect participation through Cimenta2 Gestión e Inversiones, S.A.U.
(f) company transferred to the portfolio of financial assets available for sale resulting from the partial divestment
(g) entity integrated in portfolio during 2013 after merging with Credit Valencia, S.C.C.
(h) indirect participation through Caja Rural Vila-Real, S.C.C.
(i) indirect participation through Caja Rural Sant Vicent Ferrer de la Vall D´Uixo, S.C.C.V.

Changes in shareholdings in 2014 that affect the scope of consolidation are as follows:

Acquisitions or increase of participation in depending entities, joint ventures or associates at 31 December 2014

Denomination of the Entity (or branch of activity) acquired or merged	Category	Effective date	Net cost of the combination (a)+ (b) (Thousands of euros): Amount (net) paid in the acquisition + other costs directly attributable (a)	Net cost of the combination (a)+ (b) (Thousands of euros): Fair value of equity instruments emitted for the acquisition of the Entity (b)	% of votes acquired	% of total vote rights in the Entity after the acquisition
Parque Científicio-Tecnológico de Almería, S.A. (1)	**Associate**	31/07/2014	-	-	0.10%	30.15%

Decrease of participation in depending entities, joint ventures or associates or other similar transactions at 31 December 2014

Denomination of the Entity (or branch of activity) acquired or merged	Category	Effective date	% of disposed righting votes or eliminated	% of total vote rights in the Entity after disposal	Profit/(Loss) generated (Thousands of euros)	
Cajamar Gestión, S.A.U. (2)	**Subsidiary**	20/06/2014	100.00%	-	-	-
Grupo Hispatec Informática Empresarial, S.A.U. (3)	**Subsidiary**	18/12/2014	87.51%	12.49%	-	(189)

(1) increases in indirect participation resulting from participation in a capital increase of society.
(2) decrease of indirect participation as a result of merger between Cajamar Gestión, S.A.U. (transferor) and Sunaria Capital, S.L.U. (transferee).
(3) decrease of indirect participation as a result of partial sale of the investment and subsequent transfer to the portfolio of financial assets available for sale

In January 2014 a new entity called Banco de Crédito Social Cooperativo, S.A. was incorporated, with an initial share capital amounting to €800 million distributed among 32 rural savings banks, including both members and non-members of the IPS. The shareholders include Cajas Rurales Unidas, Sociedad Cooperativa de Crédito, which acquired a direct interest of 88.88%. Subsequently, in April 2014 a capital increase of €13,550 thousand was carried out through the issuance of 13,550 thousand registered shares with a par value of €1 each. As a result of the capital increase, Cajas Rurales Unidas, Sociedad Cooperativa de Crédito reduced its direct interest in Banco de Crédito Social Cooperativo, S.A. to 87.40%.

As mentioned above, Banco de Crédito Social Cooperativo, S.A. controls the Group and as the Group's parent company (previously Cajas Rurales Unidas, Sociedad Cooperativa de Crédito) this entity's direct shareholdings have become indirect shareholdings of the new Group parent.

In addition, Cajas Rurales Unidas, Sociedad Cooperativa de Crédito, has transferred 1% of the interest of Eurovía Informática, A.I.E. and Tarket Gestión, A.I.E. to Banco de Crédito Social Cooperativo, S.A.

During 2014 a vertical merger took place between Sunaria Capital, S.L.U. (acquirer) and Cajamar Gestión, S.A.U. (acquiree).

Additionally, Grupo Hispatec Informática Empresarial, S.A. has been transferred from long-term investments to available-for-sale financial assets due a partial divestment.

In 2013, the Parent Entity absorbed Credit Valencia Caja Rural, C.C.V., Caja Rural de Canarias, S.C.C. and Caja Rural de Casinos, S.C.C. (transferors).

In addition, Group companies Cimenta2 Gestión e Inversiones, S.L.U. (transferor) and Gestión de Iniciativas Empresariales y Sociales del Mediterráneo, S.L.U. (GIESMED) (transferor) merged into Cimenta2 Gestión e Inversiones, S.A.U. (transferee).

In 2013 the investments in Renovables la Unión, S.C.P., Habitat Utiel, S.L. and Solaes Fruit, S.L. were transferred out of the available-for-sale portfolio and were reclassified as associates.

The information relating to subsidiaries, multi-group and associated companies are set out in Appendix I.

Subsidiaries

"Subsidiaries" are considered to be those companies that form part of a group of credit institutions together with the Entity and constitute a decision-taking unit. The Entity presumes that a decision taking unit exists when it possesses a majority of voting rights, it has the power to appoint or remove the majority of the members of the governing body and may have, by virtue of the agreements reached with other shareholders, the majority of voting rights or has exclusively designated the majority of the members of the governing body. The accompanying consolidated annual accounts include all subsidiaries, even those that carry out activities or business that are different from those carried out by other group companies.

At the time a subsidiary is acquired, the assets, liabilities and contingent liabilities are calculated at fair value at the acquisition date. The positive differences between the acquisition cost and the fair values of the net identifiable assets are recognised in the account "Goodwill" under the heading "Intangible assets" in the consolidated balance sheet. Negative differences are taken to results at the acquisition date.

The financial statements for the "subsidiaries" are consolidated with those of the Entity using the full consolidation method and therefore all the significant balances and transactions between the consolidated entities have been eliminated during the consolidation process. The equity and results of subsidiaries relating to outside shareholders are recognised under Group equity and the results are recorded under the headings "Minority interests" and "Results attributed to minority interests", respectively in the consolidated balance sheet and consolidated income statement, respectively (Notes 10 and 25).

Results generated by companies acquired by the Group during the year are consolidated taking into account only the amounts for the period running from the acquisition date to the year-end. Results generated by companies sold during the year are consolidated taking into account only the amounts for the period running from the beginning of the year to the date of sale.

Subsidiaries are also considered to be those credit institutions that have joined Grupo Cooperativo Cajamar (Note 1.1), which are consolidated using the full consolidation method and their assets and liabilities are integrated into the group's equity.

Multi-group companies

Multi-group companies are considered to be those that are not subsidiaries but are jointly controlled by two or more companies, including the Entity or other group entity.

The financial statements for those investee companies classified as "multigroup companies" are consolidated using the proportional method such that the inclusion of balances and subsequent eliminations take place only in the proportion to which the Entity holds a stake in the share capital of those companies.

Associates

"Associated companies" are considered to be those in which the Entity, individually or together with the remaining group companies, has a significant influence and it is not a subsidiary or multigroup company. To determine the existence of a significant influence the Entity considers, among other situations, the representation on the Board of Directors or equivalent management body at the investee company, the participation in the process of establishing policies, including those relating to dividends and other distributions, the existence of significant transactions between the Entity and the investee companies and the exchange of senior management personnel and the supply of essential technical information.

There are companies in which the Parent Entity maintains an interest of less than 20% and are classified under the heading "Shareholdings" due to the existence of significant influence and there are a series of companies classified as "shareholdings" measured using the equity method even though a 50% stake is held due to the fact that the requirements for considering that joint management exists are not met.

In the consolidated financial statements, associated companies are measured at cost at the acquisition date and subsequently using the "Equity Method" as defined in IASB 28 i.e. based on the percentage of equity that the Group's shareholding represents in its share capital, taking into consideration the dividends received and other equity eliminations. At the time of acquisition, the cost of the shareholding is assigned to its assets, liabilities and contingent liabilities, taking into consideration their fair values, the positive differences between the cost of acquisition and the aforementioned fair value (Goodwill - Notes 3.9 and 12), are recorded under the heading "Shareholdings" in the account "Associated companies" in the consolidated balance sheet as an increase in the equity shareholding.

The results generated by transactions between the associated company and the group entities are eliminated in the percentage represented by the group's shareholding in the associated company.

The results obtained during the year by the associated entity, after the elimination referred to in the preceding section, increase or decrease, as appropriate, the value of the shareholding in the consolidated financial statements. The amount of these results is recorded in the heading "Results from entities measured using the equity method" in the consolidated income statement (Note 25).

Changes in the adjustments in the measurement of the associated company, subsequent to the acquisition date, is recorded as an increase or decrease in the value of the shareholding. The amount of these changes was recorded in the heading "Measurement adjustments" under consolidated equity (Note 7.5.c).

2.8. Other general principles and environmental information

The consolidated annual accounts have been prepared on a cost basis, adjusted for the revaluation, where appropriate, of land and buildings (carried out during the first application of IFRS), available-for-sale financial assets and financial assets and liabilities (including derivatives) at fair value.

Given the main activity in which the Group companies and Parent Entity are involved, they have no environmental liabilities, expenses, assets, provisions or contingencies that could be significant with respect to the Group's equity, financial situation and results. Therefore no specific breakdown is included in the following Annual Accounts regarding environmental aspects.

2.9. Agency contracts

In accordance with the provisions of Article 22 of Royal Decree 1245/1995 (14 July), Appendix III lists the financial agents with which the Cooperative Group operates in 2014 and 2013.

3. Accounting policies and criteria applied

3.1. Financial instruments

A financial instrument is a contract that gives rise to a financial asset at one entity and, simultaneously, a financial liability or equity instrument at another entity. The financial instruments issued by the Group, as well as its components, are classified as financial assets or liabilities at the date of initial recognition, in accordance with its financial substance when it does not coincide with its legal form.

A financial asset is any contract that consists of cash, an equity instrument in another entity, a contractual right to receive money or another financial asset from a third party or to exchange financial assets or liabilities with third parties under potentially favourable conditions.

A financial liability is any commitment that gives rise to a contractual obligation to provide cash or another or another financial asset from a third party or to exchange financial assets or liabilities with third parties under potentially unfavourable conditions.

A derivative is a financial instrument whose value changes in response to changes in an observable market variable (sometimes called an underlying asset) that does not require an initial investment, or it is very small with respect to other financial instruments with a similar response to changes in market conditions and which is settled at a future date.

The Group issues hybrid financial instruments that include a main contract that is different from a derivative and a derivative financial contract, called an embedded derivative. These embedded derivatives are segregated from those main contracts and are treated independently for accounting purposes if the following conditions are met: (i) the financial characteristics and risks of the embedded derivative are not closely related to those of the main contract that is not a derivative; (ii) a different instrument with the same conditions as the derivative would comply with the definition of a derivative; (iii) the hybrid contract is not stated at fair value through changes in profit or loss.

The initial value of embedded derivatives that are separated from the main contract and treated as options is obtained based on its own characteristics, and those that are not treated as options generally have an initial value of zero. When the Group does not have the capacity to reliably estimate the fair value of an embedded derivative, its value is estimated at the difference between the fair value of the hybrid contract and the main contract, provided that both securities may be considered to be reliable. If this is not possible either, the Group does not segregate the hybrid contract and treats the hybrid financial instrument for accounting purposes as included in the financial instrument portfolio at fair value through changes in profit or loss. A main contract that is not a derivative is treated independently for accounting purposes.

Financial instruments are recognised in the consolidated balance sheet only when the Group becomes party to the relevant contract, in accordance with the terms of that contract. The Group recognises debt instruments such as loans and deposits in cash are recognised as from the date on which the legal right to receive or the legal obligation to make payment of the cash and financial derivatives is generated. In addition, the transactions carried out in the currency market are recorded at the settlement date; the financial assets traded on Spanish secondary security markets, if equity instruments; will be recognised at the contract date and, if debt securities, at the settlement date.

The financial assets and liabilities with which the Group normally operates are:

- Financing granted and received from other credit institutions and customers, regardless of the legal form they take.

- Both debt (debentures, bonds, promissory notes, loans and credit facilities) and equity (shares) instruments.

- Derivatives, in order to provide a profit or loss that allows, if certain conditions are met, to eliminate all or part of the financial risks associated with the Group's balances and transactions.

Financial assets and liabilities are offset and presented at their net amount in the consolidated balance sheet when there is a legally enforceable right that provide for posible offset and the Group´s intentions are to settle assets and liabilities at their net amount, or simultaneously realise and pay, said assets and liabilities. This legally enforceable right should not be contingent depending on future events and may be required in the ordinary course of business, and in case of default, insolvency or bankruptcy of the company or the counterparty.

a) Financial assets

Among other things, financial assets are considered to be cash balances, deposits at central banks and credit institutions, customer loans, debt securities, equity instruments acquired, except for those in subsidiaries, multi-group or associated companies, and those traded derivatives and hedges.

<u>Classification of financial assets</u>

The Group classifies its financial investments in the following portfolios for measurement purposes:

- "Financial assets at fair value through changes in profit or loss": this financial asset portfolio is further divided into two:

  - "Trading portfolio": these financial assets created or acquired with the intention to realise them in the short-term, or which form part of a portfolio of identified financial instruments managed jointly and for which there is evidence of recent action to obtain short-term gains. This portfolio also includes derivative instruments that do not comply with the definition of a financial guarantee contract and which have not been designated as accounting hedges instruments, including those segregated from hybrid financial instruments.

  - "Other financial assets at fair value through changes in profit or loss": are financial assets designated as such at initial recognition, whose fair value may be reliably estimated. This designation may be made for: (i) hybrid financial assets that cannot reliably measure the embedded derivatives separately, and must be separated; (ii) hybrid financial assets as a whole, designated as such at initial recognition, unless the embedded derivatives do not significantly change the cash flows that would otherwise have been generated by the instrument or when the hybrid instrument is first examined it is evident that the separation of the embedded derivatives is prohibited; (iii) the financial assets for which more relevant information is obtained because this information eliminates or significantly reduces incoherence in the recognition or measurement (also called accounting asymmetries) that would arise on the measurement of the assets or liabilities, or by the recognition of gains or losses, using different criteria; (iv) financial assets for which more information is obtained due to the fact that there is a group of financial assets, or financial assets and liabilities, that are managed and their performance is evaluated on a fair value basis, in accordance with the documented risk management or investment strategy and information regarding that group is also provided on a fair value basis to key management personnel.

- "Investments held to maturity": this portfolio includes debt securities that are traded on an active market with fixed maturity dates and cash flows in an amount that are certain or may be determined, and for which the Group initially had, and continues to have, both the intention and demonstrated financial capacity to hold them until maturity.

- "Loans and receivables": includes financial assets that are not traded in an active market and are not required to be valued at fair value, whose cash flows are of a determined or determinable amount, and in which all the disbursement made by the Group is expected to be recovered, absent reasons imputable to the debtor's solvency. This category includes both the investments arising out of typical lending activity, including the cash amounts drawn down yet to be repaid by customers on loans or the deposits placed with other institutions, are recorded regardless of how they are legally arranged, and unlisted debt securities, as well as the debt contracted by buyers of goods or users of services, which are part of the Group's business.

- "Financial assets available-for-sale": this portfolio includes debt securities not included in other categories and equity instruments relating to companies that are not subsidiaries, associated or multi-group companies and has not been included in other categories.

Measurement of financial assets

At initial recognition in the consolidated balance sheet, financial assets are stated at fair value. Fair value is the amount at which an asset could be transferred, or a liability settled, between duly informed parties in a transaction carried out under mutually independent conditions.

After initial recognition, the Group measures all financial assets, including derivatives that are assets, at fair value without deducting any transaction cost that may be incurred on their sale, or any other form of disposal, with the following exceptions:

- The financial assets included in the portfolios "Loan investments" and "Investments held to maturity" which are measured at amortized cost. Amortised cost is the amount at which the financial instrument was initially measured, adjusted for the repayment of the principal and plus or minus, as appropriate, the part allocated to the consolidated income statement through the effective interest rate method of the difference between the initial amount and repayment value at maturity and less any impairment losses directly recognised as a decrease in the amount of the asset or through a value adjustment account.

- Financial assets that are equity instruments whose fair value cannot be reliably estimated, as well as the derivatives that are the underlying asset for those instruments and which are settled by their transfer, and which are measured at cost.

Changes in fair value that affect "Financial assets stated at fair value" will be recognised in the consolidated income statement in the category of "Financial assets at fair value through changes in profit or loss" and "Equity - Measurement adjustments" with respect to those that are classified as "Financial assets available for sale".

The financial assets that have been designated as hedges, or as hedging instruments, are measured in accordance with the provisions described under Notes 3.4 of the notes to the annual accounts.

The best evidence of the fair value of a financial instrument is the price that would be paid in an organised, transparent and deep market ("quoted price" or "market price"). When a certain financial instruments lacks a market price, its fair value is estimated on the basis of recent transactions involving similar instruments or, failing this, using valuation techniques that are acceptable to the international financial community, taking into account the specific features of the instrument to be measured and, above all, the different types of associated risks.

The fair value of standard financial derivatives included in trading portfolios is the same as their daily market price. If, in exceptional circumstances, the price cannot be established on a given date, they are measured using similar methods to those applied to OTC derivatives. The fair value of OTC derivatives is the same as the sum of the future cash flows originating from the instrument, discounted at the measurement date ("present value" or "theoretical closing"), and the measurement process uses methods recognised by financial markets such as "net present value", models for calculating option prices, etc. These fair values are corrected to include counterparty risk through the application of Credit Value Adjustment (CVA).

The effective interest rate is the discount rate that brings the initial value of a financial instrument exactly into line with total estimated cash flows throughout its residual life. For fixed interest financial instruments, the effective interest rate is calculated based on the contractual interest rate established at the time of purchase plus, if appropriate, the fees which may, by nature, be similar to an interest rate. In the case of floating interest rate financial instruments, the effective interest rate is the current rate of return under all headings until the first revision of the reference interest rate takes place.

Write-off of financial assets from the consolidated balance sheet

Financial assets are eliminated from the Group's consolidated balance sheet when the contractual rights regarding the cash flows have expired or when they are transferred, provided that the transfer includes substantially all risks and benefits or, even if there is no substantial transfer or retention of those items, control over the financial asset is transferred. In the latter case, when control over the asset is not transferred, it will continue to be recognised based on the continued commitment, i.e. in an amount equal to the Entity's exposure to the changes in the value of the transferred financial assets.

Impairment losses on financial assets

The carrying value of financial assets is adjusted by the Group against the consolidated income statement when there is objective evidence that there are impairment losses. This is the case where:

- **Impairment losses on debt instruments**

  There is objective evidence of the impairment of debt instruments, understood as loans and debt securities, when, following their initial recognition, there is an event or combined effect of various events which have a negative impact on the relevant future cash flows.

  The objective evidence of impairment is determined on an individual basis for significant debt instruments and on an individual and collective basis for groups of instruments that are not individually significant.

  In the case of debt instruments measured at amortized cost, the amount of the impairment losses is equal to the difference between their carrying value and the present value of their future estimated cash flows, although the Group considers their market value to be a substitute for the present value of the cash flows for listed instruments, provided that it is sufficiently reliable. Estimated future cash flows of a debt instrument are all the amounts, principal and interest, that the Group considers it will obtain over the life of the instrument. This estimate takes into account all significant information available at the date of preparation of the financial statements concerning the possible future collection of contractual cash flows. Similarly, the estimate of future cash flows from instruments secured by mortgage, takes into account the flows that would be obtained on realisation, less the amount of the necessary costs for their obtainment and subsequent sale, irrespective of the probable enforcement of the guarantee.

  When calculating the present value of estimated future cash flow, the original effective interest rate of the instrument is used as the discount rate if the contractual rate is a fixed rate. Alternatively, the effective interest rate at the date to which the financial statements refer, determined in accordance with the contract terms, is used when a variable rate is involved.

The amount of estimated impairment losses is recognised in the income statement and the balancing entry is an adjustment to the value of the assets. When the recovery of the loss is considered to be remote, the amount is written off from assets.

In the case of "Financial assets available-for-sale", in order to determine whether or not impairment losses exist the positive difference between the acquisition cost, net of any repayments of principal, and the fair value, less any impairment losses previously recognised in the income statement is used as the starting point. When there is objective evidence of a decline in the fair value of an asset classified as available-for-sale due to impairment, all of the latent capital losses recognised in "Measurement adjustments" under “Equity" are immediately taken to the consolidated income statement.

Recoveries of impairment losses affecting debt securities are recognised in the consolidated income statement in the period in which the recovery takes place.

All those debt instruments that are classified as impaired by the Group, as well as those that collectively have impairment losses due to having outstanding amounts older than three months no longer accrue interest.

Note 3.3 describes the method followed by the Group to calculate impairment losses affecting financial assets with respect to credit risk.

- **Impairment losses on equity instruments**

Objective evidence of the impairment of equity instruments exists when after initial recognition there is an event, or a combination of events, that lead to the estimate that the carrying value will not be recovered.

In the case of equity instruments measured at fair value and included in the portfolio "Financial assets available-for-sale", any impairment loss is calculated as the difference between the acquisition cost and fair value, less any previously recognised impairment losses. The Group considers objective evidence of impairment affecting the assets in this portfolio to consist of a significant and prolonged decline in fair value (more than 18 months and 40% of the listed price). Latent capital losses recognised directly in “Measurement adjustments" under "Equity" are recorded in the consolidated income statement when the decline in fair value is determined to be caused by impairment. If subsequently all or part of the impairment losses is recovered, the amount is recognised in "Measurement adjustments" under "Equity".

In the case of equity instruments measured at cost in the portfolio "Financial assets available-for-sale", the impairment loss is calculated as the positive difference between the carrying value and the present value of expected future cash flows, restated using the market yield rate for other similar securities. When calculating impairment, the equity in the investee company is taken into consideration, except for "Measurement adjustments" due to cash flow hedges, adjusted for any tacit capital gains that exist at the measurement date. These losses are recorded in the consolidated income statement, directly reducing equity instruments, and the amount cannot be subsequently recovered except in the case of a sale.

b) Financial Liabilities

Financial liabilities, among other things, are deposits from central banks and credit institutions, customer deposits, negotiable securities, negotiable derivatives and hedges, subordinated liabilities and short equity positions.

Classification of financial liabilities

For the purposes of measurement, financial liabilities are classified into one of the following categories:

- "Financial liabilities at fair value through changes in profit or loss". This financial liability portfolio is further subdivided into two parts:

    - "Trading portfolio": financial assets issued with the intention of repurchasing them in the short-term. This portfolio consists of short securities positions, financial liabilities that form part of a portfolio of identified financial instruments that are managed jointly, and for which there is evidence of recent action to obtain short-term gains, derivative instruments that do not comply with the definition of a financial guarantee contract and which have not been designated as accounting hedge instruments, including those segregated from hybrid financial instruments and those created for the sale of financial assets acquired under repo agreements or those received as loans. The fact that a financial liability is used to finance trading assets does not necessarily mean that it is included in this category.

    - "Other financial liabilities at fair value through changes in profit or loss": are financial liabilities designated as such at initial recognition, whose fair value may be reliably estimated. This designation may be made for: (i) hybrid financial liabilities that cannot reliably measure the embedded derivatives separately, and must be separated; (ii) hybrid financial liabilities as a whole, designated as such at initial recognition, unless the embedded derivatives do not significantly change the cash flows that would otherwise have been generated by the instrument or when the hybrid instrument is first examined it is evident that the separation of the embedded derivatives is prohibited; (iii) the financial liabilities for which more relevant information is obtained because this information eliminates or significantly reduces incoherence in the recognition or measurement (also called accounting asymmetries) that would arise on the measurement of the assets or liabilities, or by the recognition of gains or losses, using different criteria; (iv) financial liabilities for which more information is obtained due to the fact that there is a group of financial liabilities, or financial assets and liabilities, that are managed and their performance is evaluated on a fair value basis, in accordance with the documented risk management or investment strategy and information regarding that group is also provided on a fair value basis to key management personnel.

    - "Financial liabilities at amortized cost": this category includes the financial liabilities that are not included in any of the other categories.

Measurement of financial liabilities

At initial recognition in the consolidated balance sheet, financial liabilities are stated at fair value. After initial recognition, all financial liabilities are measured at amortized cost, except for:

- Those included in the category "Financial liabilities at fair value through changes in profit or loss", which will be measured at fair value, unless the derivatives that have equity instruments as the underlying asset and whose fair value cannot be reliably estimated, in which case they will be measured at cost.

- The financial liabilities arising from the transfer of assets that do not comply with the conditions to eliminate the asset from the balance sheet of the assigning entity, since the assigning entity maintains control over the financial assets and the risks and benefits are not substantially transferred or retained.

- Financial liabilities designated as hedges, or as accounting hedge instruments that meet the criteria and standards established under Notes 3.4.

Write-off of financial liabilities from the consolidated balance sheet

Financial liabilities are eliminated from the Group's consolidated balance sheet when they have been extinguished or are acquired. The difference between the carrying value of financial liability that have been extinguished and the compensation provided is recognised immediately in the consolidated income statement.

An exchange of debt instruments between the Entity and the relevant borrower, provided that the instruments have substantially different conditions, will be recognised as an elimination of the original financial liability and the consequent recognition of a new financial liability. Similarly, a substantial modification of the current conditions for a financial liability or of a part of that liability; will be recognised as a cancellation of the original financial liability and the consequent recognition of a new financial liability.

Conditions will be substantially different if the present value of the discounted cash flows under the new conditions, including any commission paid net of any commission received, and when the discount consists of the original effective interest rate, differs by at least 10% of the present discounted value of the cash flows that remain pending with respect to the original financial liability. If an exchange of debt instruments or a modification of the conditions is recorded as a cancellation, the costs or commissions incurred will be recognised as part of the result deriving from cancellation. If the aforementioned exchange or modification is not recognised as a cancellation, the costs and commissions will be adjusted by the carrying amount of the liability and will be amortized over the remaining life of the modified liability.

c) Gains and losses in the value of financial assets

Gains and losses on financial instruments are recognised depending on the portfolio in which they are classified, in accordance with the following criteria:

- For the financial instruments included in the category "At fair value through changes in profit or loss", changes in fair value are recognised directly in the consolidated income statement, taking a distinction for instruments that are not derivatives between the portion attributable to the yields accrued by the instrument, which are recorded as interest or as dividends in accordance with their nature, and the rest is recorded as results obtained from financial transactions. The returns on financial instruments included in this category are calculated using the effective interest method.

- For financial instruments measured "At amortized cost", changes in fair value are recognised when the financial instrument is eliminated from the consolidated balance sheet and, in the case of financial assets, when any impairment arises. The interest on financial instruments included in this category is calculated using the effective interest method.

- The following criteria are applied to "Financial assets available-for-sale":

    - Accrued interest, calculated in accordance with the effective interest rate method and, when appropriate, accrued dividends, are recognised in the consolidated income statement.

    - Impairment losses are recorded in accordance with the description provided in this Note.

    - Differences on exchange are recognised in the consolidated income statement when involving monetary financial assets and, transitional the, under equity as "Measurement adjustments", when involving non-monetary financial assets until they are eliminated from the consolidated balance sheet, at which time these differences are taken to the consolidated income statement.

- All other changes in value are recognised directly under Group equity until the financial asset is eliminated from the consolidated balance sheet.

Objective evidence of impairment will be determined individually for all debt instruments that are significant and individually or collectively for the groups of debt instruments which are not individually significant. When a specific instrument cannot be included in any group of assets with similar risk characteristics, it will be analysed solely on an individual basis to determine whether it is impaired and, if appropriate, estimate the impairment loss.

The collective evaluation of a group of financial assets to estimate their losses for impairment is performed as follows:

- Debt instruments are included in groups with similar credit risk characteristics, indicative of debtor capacity to pay all amounts, principal and interest, in accordance with contractual terms. The characteristics of credit risk which are taken into account in order to group together assets are, inter alia, the type of instrument, the debtor's sector of activity, geographical area of activity, type of guarantee, age of amounts overdue and any other factor that may be relevant when estimating future cash flows.

- Future cash flows in each group of debt instruments are estimated based on the Group's experience of historical losses for instruments with similar credit risk characteristics to those of the respective group, following the necessary adjustments to adapt historical data to current market conditions.

- The loss for impairment of each group is the difference between the book value of all the debt instruments in the group and the present value of their estimated future cash flows.

d) Reclasification among financial instrument portfolios

Reclassifications among financial instrument portfolios only take place, when appropriate, in accordance with the following criteria:

i. Unless the exceptional circumstances described in section iv) below arise, financial instruments cannot be reclassified into or out of the fair value measurement category through changes in profit or loss once acquired, issued or assumed.

ii. If a financial asset, as a result of a change in the intention or the financial capacity ceases to be classified in the portfolio of investments held to maturity, it is reclassified to the category "Financial assets available-for-sale". In this case, the same treatment will be applied to all financial instruments classified under the portfolio of investments held to maturity, unless that reclassification comes under the grounds allowed by applicable legislation (sales very close to the maturity date, or once practically all the principal of the financial asset has been collected or sales attributable to an isolated event that is non-recurring and will could not have been reasonably predicted by the Group).

    In 2014 no sale took place that is not allowed by legislation applicable to financial assets classified in the portfolio of investments held to maturity.

iii. If a reliable measurement of a financial asset or liability becomes available, and was not previously available, and it is mandatory to measure them at fair value, such as unlisted equity instruments and derivatives that have equity instruments as the underlying asset, these financial assets or liabilities will be measured at fair value and the difference with respect to the a carrying value will be treated in accordance with the provisions established for that class of portfolio.

    In 2014 no significant reclassification described above took place.

iv. If, as a result of a change in the Group's intention or financial capacity, after the end of the two-year penalty period established by applicable legislation for the case of the sale of financial assets classified in the portfolio of investments held to maturity, financial assets (debt securities) included in the category of "Financial assets available-for-sale" may be reclassified to the "Portfolio of investments held to maturity". In this case, the fair value of these financial instruments that the transfer date becomes the new amortized cost and the difference between this amount and the repayment value is taken to the consolidated income statement by applying effective interest rate method over the residual life of the instrument concerned.

v. Since 2008, a financial asset that is not a derivative financial instrument may be classified outside of the trading portfolio if it ceases to be held for the purpose of being sold or repurchased in the short-term, provided that one of the following circumstances arises:

- In rare and exceptional circumstances, unless involving assets that may be included in the loan investment category. For these purposes, rare and exceptional circumstances are those that arise from a particular event that is unusual and it is highly unlikely that it will be repeated in the foreseeable future.

- When the entity has the intention and financial capacity to maintain the financial asset in the foreseeable future or until maturity, provided that at initial recognition it complied with the definition of a loan investment.

In these situations, the reclassification of the assets is done at fair value on the date of reclassification, without reversing results and taking this value into consideration as its cost or amortized cost, as appropriate. In no case may these financial assets be reclassified to the trading portfolio.

In 2014 no reclassification of financial assets included in the trading portfolio took place.

3.2. Capital and Contributions to the share capital

The shares in Banco de Crédito Social Cooperativo, S.A., are represented by indivisible registered shares which may be single or multiple. Shareholders are entitled to receive, free of charge, both single and multiple share certificates. If a multiple certificate is delivered, shareholders are entitled to request, after annulling those they submit for this purpose, the issuance of as many single certificates as the shares they hold or one or more multiple certificates representing a number of shares which is different from that of the certificates the annulment of which is requested.

The Bank shall keep a duly legalised book of registered shares for the purposes stipulated by law.

Partly paid up shares, if any, must be paid in full when so required by the Board of Directors, pursuant to Article 8 of the Company's Bylaws. The form and other details of payment are as provided in the resolution to increase capital, which may provide that the payments can be made through monetary and non-monetary contributions.

The shares are transferable by all lawful means. Transfers of the Company's shares are governed by the following terms and conditions contained in Article 13 of its Bylaws.

The Bank may issue:

- Non-voting shares for a nominal amount not exceeding half of the share capital. Non-voting shares shall confer upon their holders the rights established in the issue resolution, in accordance with current legislation.

- Redeemable shares for a nominal amount not exceeding one quarter of share capital. Redeemable shares shall confer upon their holders the rights established in the issue resolution, in accordance with current legislation and by means of the requisite amendment to the Bylaws.

- Shares that confer a privilege over ordinary shares in the legally established terms, in compliance with the formalities prescribed for the amendment of the Bylaws.

Contributions to the share capital of the Cooperative Group is recognised as equity when there is an unconditional right to waive reimbursement or there is any legal or by-law prohibitions against making the contribution. If the reimbursement prohibition is partial, the reimbursable amount above the prohibition is recorded in a specific heading and is considered to be a financial liability. The contributions for which there is a compensation obligation, even if subject to the condition of the cooperative obtaining a surplus, they are treated as financial liabilities. Compensation for contributions are recorded as financial expense for the year if they relate to contributions recorded as financial liabilities and directly against equity, as part of the distribution of results obtained by the Cooperative, if not.

The parent's bylaws and those of the credit institutions making up the Cooperative Group are consistent with the recommendations of Spanish and international watchdogs concerning solvency and share capital such that the reimbursement of share capital contributions requires in all cases the prior and favourable resolution of the Governing Board (Note 17.1.3).

A previous amendment to the Articles of Association, which remains in effect, as validated by the General Assembly on 28 March 2006, established the optional nature of remuneration for share capital, the General Assembly being responsible for determining remuneration each year; enforcement of the resolution may be delegated to the Governing Board, subject to the limits and in the terms deemed fit.

Consequently, the reimbursement of capital contributions requires prior, specific approval from the Governing Board and shareholder returns are established annually by the General Assembly on a non-mandatory basis.

In any event, Spanish Central Bank Circular 3/2008 (22 May) and subsequent modifications, regarding the calculation and control of minimum equity for credit institutions, stipulates that the contributions to the share capital of credit cooperatives, independent of its accounting classification as a financial liability or as equity, will be part of first class equity until December 31 2012, after that date, and in accordance with the amendments included in that Spanish Central Bank Circular 4/2011, only contributions recognised as equity will be considered to be capital. As indicated above, all the Group's capital contributions meet the requirements to be computed as tier 1 capital in both 2013 and next year 2014 (Tier 1 capital in accordance with the terminology used by the Basel Committee on Banking Supervision).

Share capital contributions of other credit institutions included in the Cooperative Group are classified in other equity instruments.

3.3. Credit risk hedges and calculation method

Debt instrument portfolios (loans, debt securities, advances other than loans) and off-balance sheet exposures (contingent risks and contingent commitments), irrespective of the holder, arrangement or guarantee, are analysed in order to determine the credit risk to which the Group is exposed and estimate coverage requirements for impairment. In order to draw up the financial statements, the Group classifies its transactions on the basis of the credit risk, analysing separately the insolvency risk attributable to the customer and the country-risk to which, if appropriate, it may be exposed.

- **Insolvency risk attributed to the customer**

Debt instruments not recognised at fair value through changes in profit or loss, contingent risks and contingent commitments are classified, based on the solvency risk attributable to the customer or the transaction, in the following categories: normal risk, sub-prime risk, doubtful risk due to customer default, doubtful risk for other reasons and bad debts.

The Group classifies those instruments, and contingent risks and commitments as doubtful when there is objective evidence of impairment that refers mainly to the existence of outstanding payments, defaults, refinancing or the existence of information that indicates the possibility that the agreed future flows will not be recovered in full.

To cover this insolvency risk attributable to customers, the Group maintains the following types of hedges:

- A specific hedge calculated on an individual basis for financial instruments: That is the cumulative amount of hedges arranged for doubtful assets individually estimated.

- A specific hedge calculated on a collective basis for financial instruments: That is the cumulative amount of hedges arranged for doubtful assets collectively estimated with no significant amounts. These instruments have been individually impaired and the Group applies to them an statistical method. The specific hedge is made in accordance with the default Schedule´s minimun hedges established by Spanish Central Bank Circular 4/2004 in Schedule IX.

- A general hedge to cover inherent losses: these are understood to be those losses incurred at the date of the financial statements that have yet to be assigned to specific transactions. This general hedge is made in accordance with the methods established by Spanish Central Bank Circular 4/2004 in Schedule IX for those instruments classified as normal or sub-prime.

Debt instruments classified as doubtful with respect to which specific value adjustments have been made, estimated individually or collectively, shall be reported as impaired assets and the remaining debt instruments as non-impaired assets, even though they form part of groups of assets.

To calculate the general hedge, given that the Group does not have sufficient past experience and statistics in this respect, it has applied the method established in Schedule IX of Spanish Central Bank Circular 4/2004 and subsequent amendments that contain the parameters established by the Spanish Central Bank, based on its experience and the information it has regarding the sector, which determine the method and amount to be used to hedge the inherent impairment losses incurred on debt instruments and contingent risks classified as normal risk, which are modified regularly in accordance with the evolution of the aforementioned information and an allocation is recorded in an amount equal to the sum of multiplying the positive or negative value of the change in the period affecting the amount of each class of risk by the relevant parameter α, plus the sum of the result of multiplying the total amount of the transactions included in each class of risk at the end of the period by the relevant parameter β, less the amount of the net allocation for the specific overall hedge for the period. The latter is understood to be the allocation made for the specific allocation made for the specific hedge for insolvencies attributable to the customer for debt instruments and contingent risks, less the recovery of the specific hedges and assets in default during the period, excluding the allocations made for country risk.

The amounts of the parameters α and β for each class of risk are:

	Parameters	
	α	β
Negligible risk	0.00%	0.00%
Low risk	0.60%	0.11%
Medium-low risk	1.50%	0.44%
Medium risk	1.80%	0.65%
Medium-high risk	2.00%	1.10%
High risk	2.50%	1.64%

The overall balance of the general hedge cannot exceed 125% of the amount that results from adding the product obtained from multiplying the amount in each class of risk by the relevant parameter α.

The Group classifies the amounts of all a customer's operations under doubtful risks due to customer default when the balances classified as doubtful are more than 20% higher than the amounts pending collection. For the sole purpose of determining the percentage indicated, the numerator will include cash balances past due and unpaid as principal, interest or expenses in doubtful operations due to late payment or default, and the denominator will include all cash risk pending collection, excluding unaccrued interest. If the percentage so calculated exceeds 20%, both cash risks and contingent risks derived from the customer, except for non-financial guarantees, will be transferred to doubtful loans due to customer default.

- **Country risk**

  Similarly, debt instruments not measured at fair value through the income statement and contingent risks, irrespective of the customer, are analysed to determine the credit risk by reason of country risk. Country risk is understood as the risk attaching to customers resident in a specific country due to circumstances other than the habitual business risk.

- **Foreclosed real estate assets or those received as payment for debts**

  The Group will recognise the assets received as payment of debts at the lower of the carrying value of the financial assets applied, i.e. the amortised cost less estimated impairment at a minimum of 10%, and the appraised value of the asset received in its current state, less the estimated cost of sale which cannot be lower than 10% of the appraised value in any case. The net amount of both items will be considered to be the initial cost of the asset received.

  The percentage of the indicated allocation will be changed with respect to the age of the assets received as payment of debts rising to 20% in the event that the age exceeds 12 months and 30% when the age exceeds 24 months, and to 40% when the age exceeds 36 months. In the latter case the hedges may be replaced by the figures reflected in an appraisal at the date to which the financial statements refer.

3.4. Hedge accounting

The Group uses financial derivatives trade on organised markets or traded bilaterally with the counterparty over the counter, using interest rates, certain indexes, the prices of certain securities, the exchange rate for certain currencies or other similar references.

Financial derivatives are used to trade with customers who request them in order to manage the risks attaching to the Group's own positions (derivatives held for hedging) or in order to leverage changes in the relevant prices. Financial derivatives that may not be considered hedges are regarded as derivatives held for trading.

The conditions under which a financial derivative may be regarded as a hedge are as follows:

- The financial derivative should cover (i) the risk of changes in the value of assets and liabilities due to fluctuations in the interest rate and / or exchange rate (fair value hedges), (ii) the risk of changes in estimated cash flows resulting from financial assets and liabilities, highly probable foreseeable commitments and transactions (cash flow hedges) or (iii) the net investment risk in a foreign operation (hedging of net investment in foreign operations).

- The financial derivative should efficiently eliminate any risk attaching to the component or position hedged over the entire expected hedging period. This means that since the contract date the expectation is that it will be highly efficient (prospective efficiency) and there is sufficient evidence that the hedge has been effective during the life of the hedged asset or position (retrospective efficiency). This evidence is obtained when the results of the hedge have ranged between 80% and 125% compared with the result of the hedged item.

  The Group ensures the prospective and retrospective efficiency of its hedges by performing the relevant effectiveness test by applying the regression effectiveness test. The regression analysis is a statistical technique used to analyse the relationship between variables. A simple linear regression may demonstrate, based on past data, that a derivative instrument is (retrospective evaluation) or probably will be (prospective evaluation) highly effective to offset changes in the fair value of the flow of the hedged item.

- Proper documentary evidence must be kept to show that the Financial Derivative was contracted specifically as a hedge for certain specific balances or transactions, as well as of the way in which such efficient hedging was aimed to be achieved and measured, as long as the method used is consistent with the Group's management of its own risks.

Hedges of interest rate risk may be applied to individual items or balances or financial assets and liabilities exposed to this risk. In the latter case, the set of financial assets or liabilities to be hedged must share a common type of risk, this requirement being understood to be fulfilled when the sensitivity of the individual elements hedged to interest rate changes is similar.

The Group classifies its accounting hedges based on the type of risk that are covered by fair value hedges, cash flow hedges and hedges of net investments in foreign businesses:

- Fair value hedges: the gain or loss that arises from the fair value measurement of hedging instruments as well as that attributable to the hedged risk is immediately recognised in the consolidated income statement, even when the hedged item is measured at amortised cost or it is a financial asset included in the category financial assets available-for-sale.

  When the hedged item is measured at amortised cost, its carrying value is adjusted by the amount of the gain or loss recognised in the consolidated income statement as a result of the hedge. Once this item ceases to be hedged against changes in its fair value, the amount of the adjustment is recognised in the consolidated income statement using the effective interest rate method recalculated at the date on which it ceases to be adjusted, and it must be fully amortised at the maturity date of the hedged item.

- Cash flow hedges: the gain or loss that arises from measuring the fair value of a hedge instrument (on the effective portion of the hedge) is recognised transitionally under the account "Measurement adjustments" under equity. The value of the instrument relating to the ineffective portion of the hedge is recorded immediately in the consolidated statement of income.

  Accumulated gains and losses on hedge instruments recognised in the account "Measurement adjustments" under equity remain in that account until recorded in the consolidated income statement in the periods in which the items designated as hedges affect that account, unless the hedge relates to a planned transactions that ends in the recognition of a non-financial asset or liability, in which case the amounts recorded under equity are included under the cost of the asset or liability when it is acquired or assumed. If all or part of a loss transitionally recorded under equity is not expected to be recovered in the future, its amount is immediately reclassified to the consolidated income statement.

  When the hedge is interrupted, the accumulated result of the hedge instrument recognised in "Measurement adjustments" under equity while the hedge was effective it continues to be recorded under that heading until the hedged transaction takes place, at which time the criteria indicated in the preceding paragraph are applied, unless the expectation is that the transaction will not take place, in which case it is immediately recognised in the consolidated income statement.

- Cash flow hedges of investments in foreign operations: the gain or loss that arises from measuring the fair value of a hedge instrument (on the effective portion of the hedge) is recognised transitionally under the account "Measurement adjustments" under equity. The rest of the gain or loss on the instrument is immediately recognised in the consolidated income statement.

The gains and losses on hedge instruments are recognised directly under equity and remain under that heading until they are disposed of or are eliminated from the consolidated balance sheet, at which time they are recognised under the consolidated income statement.

The Group uses accounting hedges, primarily, to hedge its exposure to changes in the fair value of its financial instruments as a result of the following underlying assets:

- Interest rate: fundamentally certain liabilities referenced to a fixed interest rate.

- Market: certain structured liabilities whose compensation is associated with the evolution of indexes.

The instruments used to apply these hedges are fundamentally interest rate swaps, equity swaps and index options (Note 8). Note 6 describes the policies established by the Group to manage the risks to which it is exposed.

3.5. Transfers and write-off of financial assets from the consolidated balance sheet

A financial asset will be subject of write off the consolidated balance of the Group only when one of these circumstances is given:

- When all the contractual rights have expired upon the cash flows it generates.

- When all the contractual rights to receive the cash flows it generates are transmitted, or even when retaining this rights, the contractual obligation exists of being paid to the buyers

- When even no existing transmission or substantial retention of the risks and benefits, but the control of the financial assets is transmitted preview evaluation regarding the following.

The term *transferred financial asset* is used to describe to the total or one part of one financial assets or group of similar financial assets.

Transfers of financial instruments are recorded taking into account the manner in which the transfer of the risks and benefits associated with the financial instruments are transferred, on the basis of the following:

- If all the risks and benefits are substantially transferred to third parties, such as in unconditional sales, sales under repos at fair value on the repurchase date, sales of financial assets with a call option acquired or put option issued deeply OTM, asset securitization in which the assignor retains no subordinated financing and nor grants any type of credit enhancement to the new holders, the financial instrument transferred is written off the consolidated balance sheet and at the same time any right or obligation retained or created as a result of the transfer is recognised.

- If the risks and benefits associated with the financial instrument being transferred are substantially retained, as in the case of sales of financial assets with buy-back agreements at a set price or for the sale price plus interest, security lending agreements where the borrower is required to return the same or similar assets, the transfers in which the Group retains subordinated financing that substantially absorb expected losses, the financial instrument transferred is not written off the consolidated balance sheet and they continue to be measured using the same criteria used before the transfer. Nonetheless, the associated financial liability is recognised for accounting purposes for an amount equal to the consideration received which is measured subsequently at amortised cost, together with the revenue from the financial asset transferred but not written off and the expenses relating to the new financial liability.

- If the risks and benefits associated with the financial instrument being transferred are neither substantially transferred nor substantially retained, as in the case of sales of financial assets with call and put options issued not deeply in or out of the money, securitisations of assets where the assignor assumes subordinate financing or any other kind of credit enhancement for a part of the asset transferred, a distinction is made between the following:

    - If the Group does not retain control of the financial instrument transferred, in which case it is written off the consolidated balance sheet and any right or obligation retained or created as a result of the transfer is recognised.

    - If the Group retains control of the financial instrument transferred, in which case it continues to recognise it on the consolidated balance sheet for an amount equal to its exposure to any changes in value and a financial liability associated with the financial asset transferred is recognised. The net amount of the asset transferred and associated liability will be the amortised cost of the rights and obligations retained if the asset transferred is measured at amortised cost or the fair value of the rights and obligations retained, if the asset transferred is measured at fair value.

Therefore the financial assets are only written off the consolidated balance sheet when the cash flows that they generate have been extinguished or when substantially all implicit risks and benefits have been transferred to third parties.

Similarly, financial liabilities are only removed from the consolidated balance sheet when the obligations arising have been extinguished or when they are acquired with the intention of cancelling them or replacing them again.

The Group will apply the requirements described above to the elimination of all financial assets and liabilities that arise, other than derivative instruments, as from the years starting on 1 January 2004. Financial assets and liabilities for transactions arising before 1 January 2004, other than derivative instruments, written off as a result of the above rules, are not recognised unless they must be recorded as a result of a subsequent transaction or event. The amounts recognised to hedge the contributions to securitization funds, subordinated securities, financing and credit commitments of any kind that during the liquidation of those funds come after non-subordinated securities in the order of creditors, will be released in proportion to the cancellation of financial assets, unless there is any new evidence of impairment, in which case the allocations necessary for their hedging are made.

3.6. Financial guarantees

The contracts under which the Group undertakes to pay specific amounts for a third party in the event of non-payment by the latter, are considered to be financial guarantees irrespective of their legal form, including, inter alia, a deposit, financial guarantee and irrevocable documentary credit issued or confirmed by the Group, insurance policies and credit derivatives in which the Group acts as a seller of protection.

Financial guarantees are classified on the basis of the insolvency risk assignable to the customer or transaction, and, if appropriate, the need for provision is estimated through the application of criteria similar to those indicated in Notes 3.1 and 3.3 for debt instruments measured at amortised cost.

When the Group issues this type of contract, they are recognised under the heading "Financial liabilities at amortised cost - Other financial liabilities" on the liability side of the consolidated balance sheet at fair value, plus transaction costs that are directly attributable to their issue (Note 7.8.f) and, at the same time, under the heading "Loan investments - Customer loans" Note 7.6.b) at the present value of future outstanding cash flows to be received by using, for both items, a discount rate similar to financial assets granted by the Group to a counterparty with a similar term and risk.

Subsequent to their issue, the value of the contracts recorded under "Loan investments - Customer loans" will be updated recording the differences as financial income and the fair value of the guarantees recognised under the heading "Financial liabilities at amortised cost - Other financial liabilities" on the liability side of the balance sheet will be attributed on a straight-line basis over their useful life to commission income received.

In the event that a provision needs to be set up for the financial guarantees, the commissions outstanding that are recorded under the caption "Financial liabilities at amortised cost - Other financial liabilities" on the liability side of the accompanying balance sheet are reclassified to the corresponding provision.

3.7. Non-current assets held for sale

Non-current assets for sale on the consolidated balance sheet include the carrying value of the individual items, included in a disposal group or which are part of the business unit that is intended to be sold (discontinued operations) and where there is a high probability that the sale will be made, under the conditions in which said assets are currently to be found, within one year as from the date referred to in the annual accounts.

Therefore the carrying value of these items, which may be financial and non-financial in nature, will presumably, be recovered through the price obtained on their disposal and not their on-going use.

The real estate assets or other non-current assets received by the Group to pay off all or part of the payment obligations of its debtors with regard to the Group are deemed non-current assets for sale, unless the Group has decided to use these assets on an on-going basis.

Furthermore, Liabilities associated with non-current assets for sale include the creditor balances associated with the Group's disposal groups or discontinued operations.

The assets classified as non-current assets for sale are generally measured at the lower of the carrying value at the time they are considered such and fair value net of their estimated selling costs. While they are classified as non-current assets for sale, property, plant and equipment and intangible assets that are depreciable/ amortizable by nature are not depreciated/ amortised.

In the event that the carrying amount exceeds the fair value of the assets, net of cost of sales, the Group adjusts the carrying amount of the assets by the amount of the excess and makes a balancing entry in the caption "Gains/losses on the disposal of non-current assets for sale not classified as discontinued operations" in the consolidated income statement. In the event that the fair value of the assets increases at a later date, the Group reverses the losses previously recognised by increasing the carrying amount subject to the limit of the carrying amount prior to any impairment. A balancing entry is made in the caption "Gains/losses on the disposal of non-current assets for sale not classified as interrupted operations" in the consolidated income statement.

The results in the year for those group components that have been classified as discontinued operations are recorded under the "Result from discontinued operations (net)" caption in the consolidated income statement both if the Group component has been eliminated from assets and if it is still included under assets at the year end.

3.8. Property, plant and equipment

Property, plant and equipment includes the amounts for buildings, land, furnishings, vehicles, computer equipment and other installations owned by the Group or acquired under finance leases. Property, plant and equipment are classified based on their use as: property, plant and equipment for its own use, other assets assigned under operating leases, property, plant and equipment linked to the Education and Development Fund and property investments.

Property, plant and equipment for own use includes mainly offices and bank branches, both built and under construction, in the Group's possession.

The cost of the property, plant and equipment include the payments made, both at the time of their acquisition and production, and subsequently if there is any expansion, replacement or improvement, it is considered likely to obtain future profits from their use. In accordance with the provisions of IFRS 1 and section B).6 of Transitional Provision One of Circular 4/2004 and subsequent amendments, regarding the first-time application of this Circular, the cost of acquisition of property, plant and equipment for its use that is freely available, including their fair value appraisal at 1 January 2004, which is its attributed cost at that date. That fair value at 1 January 2004 was obtained based on independent expert valuations. Property, plant and equipment deriving from business combinations are stated at fair value at the date of the combination, and that is its new attributed cost (Notes 2.7 and 3.23).

For foreclosure assets included under property, plant and equipment, the acquisition cost relates to the net amount of the financial assets delivered in exchange for the foreclosure.

The acquisition or production cost of property, plant and equipment, except for plots of land (which are considered to have an indefinite life and are not depreciated), net of their residual value are amortised on a straight-line basis over their estimated useful lives, as follows:

	Years of useful life	Annual depreciation rate
Property	50	2%
Furniture	3-10	10% - 33%
Fixtures	4-13	8% - 25%
IT equipment	3-8	12,5% - 33%
Transport elements	5-10	10% - 20%

At least at the end of the year the Group reviews the estimated useful lives of property, plant and equipment for own use in order to detect significant changes in the same which, if any, are adjusted through the relevant adjustment to the amount recorded in future consolidated income statements in respect of the depreciation charge in accordance with the new estimated useful life.

Repair and maintenance expenses for property, plant and equipment for own use, are recorded in the consolidated income statement in the year in which they are incurred.

Financial expense incurred on the financing of the acquisition of property, plant and equipment, does not increase the acquisition cost and is recorded in the consolidated income statement for the year in which it accrues, except for the property, plant and equipment that require more than one year to be in a state of use, for which the acquisition price and production cost includes the financial expense that had accrued before the time the assets enter into operation and which have been sent by the supplier or relate to the outside financing directly attributable to the acquisition.

The assets acquired under deferred payment arrangements are recognised at an amount equal to the cash price and a liability is recorded for the same amount that has yet to be paid. In cases where the deferral exceeds the normal deferral period (180 days for buildings and 90 days for all others), the expenses deriving from the deferral are discounted from the acquisition cost and are taken to the consolidated income statement as a financial expense.

Property, plant and equipment is eliminated from the consolidated balance sheet when the assets become available, even when assigned under a finance lease or when permanently removed from use and no financial benefits are expected to be received in the future for their disposal, assignment or abandonment. The difference between the sale and the carrying value is recognised under the consolidated income statement in the period in which the asset is eliminated.

The Group regularly determines whether or not there is any internal or external indication that any asset could be impaired at the date to which the consolidated financial statement refer. It estimates the recoverable amount relating to the property, plant and equipment, which is understood to be the higher of: (i) fair value less necessary selling costs and (ii) value-in-use. If the recoverable value determined in this manner is less than the carrying value, the difference is recognised in the consolidated income statement, reducing the carrying value of the asset to its recoverable amount.

The main accounting policies applied to assets assigned to operating leases, non-current assets for sale and assets linked to the Education and Development Fund coincide with those described for property, plant and equipment for the Group's own use referred to in this Note.

Capital expenditures on property, plant and equipment correspond to the net values of the land, buildings and other constructions the Group has to let out or to earn a capital gain on their sale as a result of the increases in their respective market prices.

3.9. Intangible assets

Intangible assets are non-monetary assets, which are identifiable but have no physical appearance. Intangible assets are considered identifiable when they may be separated from other assets because they may be sold, leased or disposed of individually or they derive from a contract or other type of legal business. An intangible asset is recognised when, in addition to conforming to the above definition, the Group considers the flow of economic benefits from that asset probable and its cost may be reliably estimated.

Computer software acquired

Computer software acquired is initially recognised at cost and subsequently at cost less accumulated amortisation, when appropriate, and any impairment loss. The years of useful life and amortisation rates used by the Group are 3 and 4 years and between 33% and 25%, respectively.

Computer software developed internally

The computer software developed internally is recognised as intangible assets when, among other things, basically the capacity to use them or sell them, those assets may be identified and their capacity to generate profits in the future can be demonstrated. The expenses incurred during the research phase are recognised directly in the consolidated income statement in the year incurred, and they cannot be subsequently taken to the carrying value of the intangible assets. The years of useful life and amortisation rates used by the Group are 3 and 8 years and between 33% and 12.5%, respectively.

Administrative concessions

Administrative concessions are initially recognised at cost and subsequently at cost less accumulated amortisation, when appropriate, and any impairment loss. The years of useful life are established based on the term of the concession.

Goodwill

Goodwill represents the advance payment made by the Group for future financial benefits deriving from the assets of a company that has been acquired, which cannot be individually and separately identified and recognised. Goodwill is only recognised if it has been acquired for valuable consideration in a business combination.

Positive differences between the cost of the shareholdings in the capital of Subsidiaries, Multigroup companies and Associates with respect to the relevant carrying values acquired, adjusted at the date of the first consolidation, are allocated as follows:

- If they are assignable to specific equity items of the entities acquired, they are assigned by increasing the value of the assets or reducing the value of the liabilities, the market value of which is higher or lower, respectively, than the net carrying values in the predecessor balance sheets and whose accounting treatment is similar to that of the Group’s same assets and liabilities, respectively.

- If they are assignable to specific intangible assets, they are allocated through their explicit recognition on the consolidated balance sheet provided that their fair value at the acquisition date may be reliably determined.

- The remaining differences that are not assignable are recorded as Goodwill that is attributed to one or more specific cash generating units and in the case of associated companies they are recorded under the heading "Shareholdings" as an increase in the equity value in the accounts "Associated companies" (Note 2.7) in the accompanying consolidated balance sheet.

Goodwill acquired as from 1 January 2004 is shown at acquisition cost, while goodwill acquired before that date is carried at the net amount recognised at 31 December 2003. At each accounting close the Group tests goodwill for any impairment that may have reduced its recoverable amount to below the carrying amount. In this case, goodwill is written down and a balancing entry is made in the caption “Asset impairment losses – Goodwill” in the consolidated income statement.

Losses for impairment of goodwill it cannot subsequently be reversed.

Negative differences between the cost of the shareholdings in the capital of Subsidiaries, Jointly controlled companies and Associates with respect to the relevant carrying values acquired, adjusted at the date of the first consolidation, are allocated as follows:

- If they are assignable to specific equity items of the entities acquired, they are assigned by increasing the value of the liabilities or reducing the value of assets, the market value of which is higher or lower, respectively, than the net carrying values in the predecessor balance sheets and the accounting treatment of which is similar to that of the Group’s same liabilities and assets, respectively.

- The remaining amounts that may not be allocated are recorded under "Negative difference on business combinations" in the consolidated income statement for the year in which capital is acquired.

The useful lives of other intangible assets may be indefinite when, on the basis of analyses performed of the relevant factors, the conclusion is that there is no foreseeable limit to the period during which net cash flows are expected to be generated in favour of the Group, or are of a definite useful life. Intangible assets with an indefinite useful life are not amortised although at each accounting close the Group reviews the remaining useful lives in order to ensure that they are still indefinite or, alternatively, take the relevant action. Intangible assets with a definite life are amortised at rates similar to those used for property, plant and equipment.

In any case, the Group records for accounting purposes any loss that may have arisen in the recorded value of these assets arising from impairment with a contra-item in the consolidated statement of income. The criteria for recognising impairment losses on these assets and, if appropriate, the recovery of the impairment losses recorded in prior years are similar to those for property, plant and equipment.

At 31 December 2014 the Group recognizes intangible assets with an indefinite useful life, i.e. goodwill on business combinations resulting from the merger process carried out in 2012 (Note 12).

3.10. Leases

Lease contracts are presented on the basis of the economic substance of the transaction, irrespective of its legal form, and are classified from inception as finance or operating leases.

- A lease is considered a finance lease when substantially all the risks and benefits attaching to the ownership of the assets subject to the contract are transferred.

  Whenever the Group acts as a lessor of an asset, the sum of the present values of the amount that will be received from the lessee plus the guaranteed residual value, usually the purchase option price when the lease terminates, are recorded as financing provided to third parties. It is therefore included in the heading Credits, loans and discounts on the consolidated balance sheet, in accordance with the nature of the lessee.

When the Group acts as the lessee, the cost of the leased assets is recorded on the consolidated balance sheet, on the basis of the nature of the asset covered by the contract, and at the same time, a liability is booked for the same amount, which will be the lower of the fair value of the leased asset or the sum of the present value of the amounts payable to the lessor, plus, if appropriate, the purchase option exercise price. These assets are depreciated using similar rates as those applied to property, plant and equipment for own use as a whole.

Financial income and expense arising on these contracts is credited and debited respectively, to accounts in the consolidated income statement such that the return is consistent over the contract term.

- Lease contracts not considered to be finance leases are classified as operating leases.

  When the Group acts as the lessor, the acquisition cost of the leased assets is recorded under Property, plant and equipment. The criteria applied by the Group to recognise the acquisition cost of the assets assigned under operating lease with respect to depreciation and the estimate of their respective useful lives and the recording of impairment loses, agree with the those described for property, plant and equipment for own use. Revenues from lease agreements are recognised in the consolidated income statement on a straight-line basis.

  When the Group acts as the lessee, lease expenses, including the incentives granted, if appropriate, by the lessor, are recorded on a straight-line basis in the consolidated income statement.

3.11. Foreign currency transactions

To all the effects of these consolidated annual accounts the Euro has been considered as functional and presenting currency, understanding as foreign currency any different to the Euro.

At initial recognition, receivable and payable balances in foreign currency are converted to euro using the spot exchange rate. After that time, the following rules are applied to translate balances denominated in foreign currency to euro:

- Monetary assets and liabilities have been converted into euro using the average official spot exchange rates published by the European Central Bank at the closing date for each year.
- Non-monetary items valued at historical cost are converted at the exchange rate prevailing on the date of acquisition.
- Non-monetary items valued at fair value are converted at the exchange rate prevailing on the date on which the fair value is determined.
- Revenues and expenses are converted at the exchange rate on the transaction date.
- Amortization is converted at the exchange rate applied to the related asset.

Exchange differences arising from the conversion of balances in foreign currency are recorded in the consolidated income statement, with the exception of differences arising on non-monetary items at fair value whose adjustment to that fair value is taken to equity, breaking out the exchange rate component of the restatement of the non-monetary item.

At the end of 2014, the overall amount of assets expressed in foreign currency by the Group totals 56,472 thousand Euros (51,326 thousand Euros in 2013) and the overall amount of the liabilities items expressed in foreign currency 41,255 thousand Euros (45,529 thousand Euros in 2013) (Note 6.3).

3.12. Other provisions and contingent liabilities

The Group makes a distinction between provisions and contingent liabilities. The Group's present obligations resulting from past events are considered provisions when their nature is clearly defined at the date of the consolidated financial statements but the amount or time of settlement are not defined, and upon the maturity of which and in order to settle them the Group expects an outflow of resources which embody economic benefits. Such obligations may arise due to the following:

- A legal or contractual requirement.
- An implicit or tacit obligation, arising from a valid expectation created by the Group for third parties for the assumption of certain kinds of responsibilities. Such expectations are created when the Group accepts responsibility publicly, and they derive from past conduct or business policies that are public knowledge.
- The virtually certain development of certain aspects of legislation, in particular, legislative bills which the group will be unable to circumvent.

The Group's possible obligations resulting from past events, the existence of which is conditional on the occurrence or otherwise of one or more future events beyond the Group's control are contingent liabilities. Contingent liabilities include present obligations, the settlement of which is unlikely to give rise to a decrease in resources that embody economic benefits or the amount of which, in extremely rare cases, cannot be sufficiently reliably quantified.

Provisions and contingent liabilities are classified as probable when the likelihood of occurrence is greater than that of not occurrence, possible when the likelihood of occurrence is less than that of not occurrence, and remote when their occurrence is extremely rare.

The Group includes in the consolidated annual accounts all significant provisions with respect to which the probability of its having to settle the obligation is considered greater than the contrary. Contingent liabilities are not recognised in the consolidated annual accounts. Instead, they are reported unless the possibility of they giving rise to an outflow of funds which include economic benefits is considered remote.

Restructuring costs are recognised when the Group has a present obligation, legal or tacit, as a result of past events, it is probable that an outflow of funds will be necessary to settle the obligation and the amount may be reliably estimated. The provisions for restructuring include the amounts payable to employees as a result of the termination of employment contracts.

Provisions are quantified taking into account the best available information concerning the consequences of the event that originated them and are estimated at each accounting close. They are used to address the specific obligations for which they were recognised and may be reversed in full or in part when such obligations no longer exist or decrease.

At the 2014 and 2013 year-end, a number of legal proceedings and claims had been initiated against the Group, arising in the ordinary course of business. The Entity's legal advisors and its directors understand that the finalisation of these proceedings and claims will not have a significant effect other than that provided for, if appropriate, in the consolidated annual accounts for the years in which they finalise.

3.13. Promotion and Education Fund

The appropriations made by the Cooperative Group to the Education and Development Fund are recognised as an expense during the year when they are mandatory. If additional appropriations are made they are recognised as an application of profits.

Grants, donations and other assistance related to the Education and Development Fund in accordance with the law or funds deriving from the levying of fines by the cooperative to members, who are members of said fund, will be recognised as cooperative income and an appropriation will be made to said fund for the same amount.

The expenses relating to the Education and Development Fund are presented on the balance sheet as a deduction from the heading "Other liabilities - Education and Development Fund", and under no circumstances are they charged to the consolidated income statement.

Property, plant and equipment and the liabilities associated with Community projects are presented in separate headings on the balance sheet.

The creation of the Cooperative Group does not limit the operation and management of Education and Development Fund to the Governing Body of the parent entity, but this responsability falls to the Govering Body of each entity forming part of the Group.

3.14. Asset Swaps

Tangible and intangible asset swaps are acquisitions of assets of that nature in exchange for the delivery of other non-monetary assets or a combination of monetary and non-monetary assets, except for foreclosure assets that are treated as non-current assets for sale.

The assets received in an asset swap are recognised at the fair value of the asset delivered plus, if appropriate, the monetary consideration delivered in exchange unless there is clearer evidence of the fair value of the asset received.

3.15. Minimum capital requirement

On 1 January 2014 a new regulatory framework came into force governing the minimum capital that must be held by Spanish credit institutions, both individually and on a consolidated basis, the method for calculating such capital and the various internal capital adequacy assessment processes to be conducted, as well as the public information they must disclose to the market. This regulatory framework is composed of:

- European Parliament and Council Directive 2013/36/EU(CRD-IV) of 26 June relating to access to the business of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 202/87/EC and repealing Directives 2006/48/EC and 2006/49/EC.

- European Parliament and Council Regulation (EU) 575/2013 (CRR) of 26 June 2013 on prudential requirements for credit institutions and investment firms, which amended Regulation (EU) 648/2012.

As a Spanish credit institution, Grupo Cooperativo Cajamar is subject to Directive CRD-IV through which the European Union has implemented the Basel III capital standards of the Basel Committee on Banking Supervision under a phase-in arrangement running until 1 January 2019.

This directive has been partially implemented in Spain through; (I) Royal Decree Law 14/2013, of 29 November, on urgent measures for the adaptation of Spanish law to European Union regulations concerning the supervision and solvency of financial institutions, and (ii) Law 10/2014 of 26 June, on the organisation, supervision and solvency of credit institutions.

The Regulation, which is immediately applicable to Spanish credit institutions, implements the requirements of Directive CRD-IV leaving national authorities with the choice of taking up certain options or not. The Spanish Central Bank, under the authorisation of Royal Decree Law 14/2013, published Circulars 2/2014 (31 January) and 3/2014 (30 July) under which it made use of some of the permanent regulatory options provided for in Regulation CRR. This Regulation lays down consistent rules on general prudential requirements that institutions must meet in relation to:

- Capital requirements relating to credit risk exposures, market risk, operational risk and settlement risk.

- Requirements aimed at limiting major exposures.

- Liquidity requirements relating to fully quantifiable, consistent and standardised liquidity risk components.

- Reporting requirements on the above components and on leverage.

- Public disclosure requirements.

Under the requirements set out in Regulation CRR, credit institutions must comply with a total capital ratio of 8% at all times. However, it should be noted that the regulators may exercise their powers under the new regulatory framework and require institutions to maintain additional capital levels.

In accordance with the new regulatory framework, effective 1 January 2014, the provisions of Spanish Central Bank Circular 3/2008 that conflicted with the above European standards have been repealed.

EU Regulation 575/2013 stipulates that the competent authorities may fully or partially exempt entities belonging to consolidated groups from the obligation to comply individually with the requirements of this Regulation. In this respect the Spanish Central Bank's Executive Committee recognised Grupo Cooperativo Cajamar as an Institutional Protection System and consolidable group of credit institutions, exempting the Group entities from the fulfilment of individual solvency requirements.

3.16. Commissions

The Group classifies the commissions it pays or receives into the following categories:

- Financial fees: This type of commission, which forms an integral part of the yield or effective cost of a financial transaction that is paid or received in advance, is recognised in the consolidated income statement over the course of the expected term of the financing, net of the direct associated costs, as an adjustment to the effective cost or yield on the transaction.

- Non-financial commissions: This type of commission arises from the rendering of services by the Group and they are recorded in the consolidated income statement over the course of the period over which the service is executed or, if involving a service executed in a single transaction, at the time the transaction takes place.

3.17. Deposit Guarantee Fund

Through Royal Decree-Law 16/2011 (15 October), whereby the Deposit Guarantee Fund for Credit Institutions was created, the Group's credit institutions form part of this new fund. Article 2 of the Royal Decree-Law dissolved the Deposit Guarantee Fund for Savings Banks, the Deposit Guarantee Fund for Banking Establishments and the Deposit Guarantee Fund for Credit Cooperatives, their assets having been included in the Deposit Guarantee Fund for Credit Institutions, which became subrogated to all their rights and obligations.

Royal Decree-Law 19/2011 (2 December) came into force, amending Royal Decree Law 16/2011, establishing that the amount of entities' contributions to the Deposit Guarantee Fund for Credit Institutions will increase to two thousandths of the calculation base, formed by the deposits guaranteed (creditor account balances plus nominative certificates of deposit) and by five percent of the listed price of guaranteed securities (marketable securities and financial instruments entrusted to the credit entity in Spain or any other country for custody or registration, or for an investment service) on the final trading day of the year in the relevant secondary market. This Royal Decree applies to contributions paid as from the date it came into effect. To 2 December 2011, the amount of contributions was set at 0.8 thousandths of the calculation base.

When the net worth of the Deposit Guarantee Fund is sufficiently funds to serve its purpose, the Ministry of Finance, at the request of the Spanish Central Bank, may approve a reduction in the above-mentioned contributions. In any event, contributions are suspended when the uncommitted assets in the fund equals or exceeds 1% of the calculation base for projected contributions.

The amount guaranteed by the Deposit Guarantee Fund for Credit Institutions is established at 100 thousand Euros per account holder and entity, in accordance with Royal Decree-Law 1642/2008 (10 October) which establishes the guaranteed amounts referred to by Article 7.1 Royal Decree 2606/1996 (20 December) an Article 6.1 of Royal Decree 948/2001 (3 August) on investor indemnity systems.

The Management Committee of Fondo de Garantía de Depósitos de Entidades de Crédito, in order to restore the Fund’s equity sufficiency in accordance with Article 6.2 of Royal Decree Law 16/2011 (14 October), agreed on 30 July 2012 to ask member entities for an extraordinary payment, distributed according to the contribution calculation base at 31 December 2011, payable through 10 equal annual instalments. The amounts of these instalments which should be paid on the dates concerned may be deducted from the ordinary annual contribution which, if appropriate, is paid by the entity on that same date and up to the amount of the ordinary instalment.

In addition, with a view to maintaining the financial health of the Credit Institutions’ Deposit Guarantee Fund, so that it can fulfil its role in stabilising the Spanish financial system, Royal Decree-Law 6/2013, of 22 March, stipulates a special one-time contribution to the fund of 0.003% of eligible deposits. This contribution will be made in two instalments. The first, equivalent to 40% of the total, for which the fund may agree a series of deductions related to the size of the contributing entities, their contributions to SAREB, Spain’s so-called bad bank, or the receipt of public aid. The second tranche, covering the remaining 60%, will be payable starting in 2014 and over a maximum period of seven years, in keeping with the payment schedule set by the fund's Management Committee. In order to account for this obligation, the Group has decided to early apply IFRIC 21 on Levies.

Subsequently, on December 23 a statement was issued by the Directorate General for Regulation and Financial Stability of the Spanish Central Bank indicating that the Management Committee of the Deposit Guarantee Fund for Credit Institutions had issued the final schedule of payments relating to the second tranche of the contribution provided for in Royal Decree Law 6/2013. As a result, in accordance with IFRIC 21 the 2014 annual accounts must disclose the outstanding payments due to the Deposit Guarantee Fund with respect to both the extraordinary contributions under said Royal Decree and the regular annual contribution under Royal Decree 2606/1966. The ordinary contribution relating to deposits at 31 December 2014 will be made against the consolidated income statement and the remaining obligations as regards both the second tranche under Royal Decree Law 6/2013 and the annual contribution relating to deposits at 31 December 2013 paid in 2014 will be treated as a change in accounting policy in accordance with IAS 8 and EU Regulation 2238/2004. Accordingly, at 31 December 2014 the Group has had to restate the annual accounts at 31 December 2013 (Note 4) involving the following movements:

- Recognise the liability incurred in 2012 with respect to the deposits at 31 December 2012 settled in 2013.
- Recognise the liability incurred in 2013 with respect to the deposits at 31 December 2013 settled in 2014.
- Recognise the extraordinary liability derived from the second tranche under Royal Decree Law 6/2013.

In 2014 and 2013, expenditure incurred in respect of (ordinary and additional) contributions by Group Entities to the Fund totaled € 44,335 thousand and € 100,374 thousand, respectively, and is recognized in the item “Other operating expenses - Contribution to the Deposit Guarantee Fund” in the accompanying consolidated income statement (Note 25). The expense recognised in this respect in 2013 includes the expense in connection with the additional contribution stipulated by Royal Decree-Law 6/2013 (22 March) in the amount of €53,533 thousand (Note 25).

3.18. Income tax

The corporate income tax expense is determined by tax payable calculated with respect to the tax base for the year, taking into account the variations during that year deriving from temporary differences, deductions and credits and tax losses.

Income tax expense is recognised in the consolidated income statement except when the transaction is recorded directly under equity in which the deferred tax is recognised as an additional equity item.

In order for deductions, credits and tax-loss carry forwards to be effective they must comply with the requirements established by current legislation.

The tax effect of any timing differences is included, in the event that the relevant deferred tax assets or liabilities under "Deferred tax assets" and "Deferred tax liabilities" on the accompanying consolidated balance sheet. These relate to those taxes that are expected to be payable or recoverable for the differences between the amounts per books of the assets and liabilities in the financial statements and the related taxable bases, and are quantified by applying to the relevant timing difference or credit the tax rate at which it is expected to be recovered or settled.

The tax rate applicable in 2014 and 2013 was the reduced 25% rate for cooperative profits and the general 30% rate for non-cooperative profits (Note 14).

Law 27/2014 on corporate income tax came into force on 28 November 2014, except for final provisions four to seven, which came into force on 29 November 2014, and will be effective for fiscal years commencing as from 1 January 2015.

The main potential impacts of Law 27/2014 as concerns the financial statements at 31 December 2014 are as follows:

- Tax credits for tax losses pending offset at 1 January 2015 may be applied in the following fiscal years without any time limit.

- The standard tax rate has decreased from 30% to 25%. However, the Law provides that financial institutions and their tax consolidation groups will maintain a tax rate of 30%. Cooperatives will continue applying the reduced rate of 25% for cooperative revenues and the general rate of 30% for non-cooperative income.

- In general, the integration of monetised deferred tax assets into taxable income and the offsetting of tax losses is limited to 25% for 2014 and 2015, 60% for 2016 and 70% for 2017 and subsequent years. However, in the case of cooperatives, the limitation on the offsetting of tax losses comes into effect from 1 January 2015.

In view of the projections under the Group's business plan and future projections made using parameters similar to those included in this plan and in current legislation, the Group expects to recover the monetisable deferred assets derived from tax credits for loss carryforwards (not subject to any time limit).

At each accounting close deferred tax assets and liabilities are reviewed to verify that they are still valid and make the relevant adjustments.

3.19. Recognition of revenue and expense

In general, revenues are recognised at the fair value of the compensation received or that will be received, less any discounts, credits or commercial rebates. When cash are deferred over time, the fair value is calculated by discounting future cash flows.

Revenues and expense relating to interest and similar items are generally carried on an accruals basis and under the effective interest rate method.

Dividends received from other companies are recognised as revenues when the right to receive them arises

Financial service fee and commission expense or income, however contractually denominated, is classified under financial commissions and non-financial commissions (Note 3.16), which determines their allocation to the consolidated statement of income:

Income and expense in respect of fees and similar items are carried in the consolidated income statement generally in accordance with the following:

- Those related to financial assets and liabilities measured at fair value through the income statement are recorded at the time of collection.

- Those that relate to transactions or services which are carried out over a period of time are recorded in the period in which such transactions or services take place.

- Those relating to a transaction or service performed in a single act are recorded when such act takes place.

Non-financial fee and commission income and expense are recorded on an accrual basis.

Deferred collections and payments are carried at the amount resulting from financially discounting the expected cash flows at market rates.

3.20. Staff costs and post-employment remuneration

Short-term compensation

Short-term remuneration to employees are payments made within twelve months following the end of the year in which the employees have rendered services. This remuneration is measured, without adjustment, at the amount payable for the services received and recorded, in general, as staff costs for the year and a liability accrual account is recorded for the difference between the total expense and the amount already paid.

Post-employment remuneration

Post-employment remuneration (or pension commitments) is defined as remuneration paid to Group employees after the end of their period of employment. Post-employment remuneration, including that covered by internal or external funds, classified as defined contribution plans when pre-determined contributions are made to a separate entity or defined benefits plans for which the Group commits to making payment of an amount when the contingency arises. This classification is carried out based on the conditions of those obligations, taking into account all of the commitments assumed, both in accordance with and outside the terms formally agreed with employees.

- **Defined contribution plan**

  The Group recognises the contributions made to these plans by recording the expense under the heading "Personnel expenses" in the accompanying consolidated income statement and crediting the account "Pension and similar obligations" under the heading "Provisions" in the accompanying consolidated balance sheets. Payments of the contributions are recorded by charging the accounts "Pension and similar obligations".

- **Defined benefit plan**

  The Group calculates the present value of its legal and implicit obligations deriving from its defined benefit plan at the date of the financial statements, after deducting any actuarial loss, plus any actuarial gain, the cost of past services yet to be recognised and the fair value of the plan's assets, including insurance policies, if the following conditions:

  - They are owned by a legally separate unrelated third party.

  - They are only available to pay or finance commitments to employees.

  - They cannot return to the Entity except when the assets remaining in the plan are sufficient to cover all commitments to employees to reimburse the Entity for benefits it pays.

  - When the assets are held by an entity (or fund) relating to long-term post-employment benefits, such as a pension fund, they cannot be non-transferable financial instruments issued by the Group.

  The figure obtained as indicated above is recorded in the account "Pension and similar obligations" under the heading "Provisions" in the accompanying consolidated balance sheets, if positive, or under "Other assets" if negative (Notes 13 and 15).

  In the event that the figure calculated is negative, and if the absolute value of that figure exceeds the sum of any net actuarial loss and the cost of past services yet to be recognised, plus the present value of any financial benefit available in the form of refunds from the plan or reductions in future contributions to the plan, only the latter asset is recognised.

Post-employment remuneration from defined benefit plans is recorded in the consolidated income statement as follows:

- In the income statement: the cost of employee service, including the current service cost and unvested past service costs, the net interest on the defined benefit liability/asset and the gains or losses on settlements.

  These items are recognized in the income statement using the following criteria:

  - The current service cost is recognised within personnel expenses.
  - The net interest on the liability is recognized as interest expense and similar charges.
  - The net interest on the asset is recognized as interest and similar income.
  - The past service cost is recognized as a charge to provisions (net).

- In the statement of changes in equity: the changes in the value of the liability/asset as a result of actuarial gains or losses, the return on plan assets, excluding the amount included in net interest on the liability/asset, and changes in the present value of the asset as a result of changes in the present value of the cash flows to which the Group is entitled, insofar as not included within net interest on the liability/asset. The amounts recognised in the statement of changes in equity are not reclassified to profit or loss in subsequent years.

The valuation of all of the obligations deriving from the defined benefit plan is carried out by a qualified actuary.

Other long-term remuneration for the benefit of employees

The commitments assumed with early retired personnel, length of service awards, widow(er) and disability commitments before retirement that depend on the time the employee has worked for the Group, and other similar items will be treated for accounting purposes, where applicable, as established by the defined benefit post-employment plans, with the qualification that all the cost of past service and actuarial losses and gains are recognised immediately.

Severance benefits

Severance benefits are recorded under the heading "Personnel expenses" and the accompanying consolidated income statement crediting the accounts "Pension fund and similar obligations" under the heading "Provisions" in the accompanying consolidated balance sheet only when the Entity is demonstrably committed to terminating an employee or group of employees before their normal retirement date, or to pay remuneration as a result of an offer made as an incentive for the voluntary resignation of the employees.

Pension commitments entered into by the Group

The pension commitments assumed by the Group corresponding to employees who provide their services to the Group's credit institutions are governed by the prevailing collective bargaining agreement and, as warranted, the corresponding Governing Board resolutions, as ratified at the General Assemblies.

The employees of Cajas Rurales Unidas and Banco de Crédito Social Cooperativo have set up a joint promotion pension plan which is managed by both Cajas Rurales Unidas and Banco de Crédito Social Cooperativo. This plan is regulated by the Regulation of 23 December 1993 and adapted to Law 8/1987 regulating pension plans and funds, within Fondo Cajamar VI, Fondo de Pensiones; Cajamar Vida, S.A. de Seguros y Reaseguros is the fund's management company and Cajas Rurales Unidas is the depositary agent. Particularly employees joining the Group from Caja Rural de Casinos which have joined the Cajas Rurales Unidas pension plan as unit holders retain their rights in the RURALCAMPO Fondo de Pensiones pension fund, which is managed by RGA (depositary: Banco Cooperativo Español).

The employees of certain of the other entities have set up varying pension plans:

- The employees of Caja Rural de Altea have a pension plan in the R.G.A., Fondo de Pensiones pension fund, which is managed by RGA (depositary: Banco Cooperativo Español).

- The employees of Caja Rural de Alginet, Caja Rural de Turis, Caja Rural de Villar, Caja Rural de Alqueries and Caja Rural de Torrent have a pension plan in the Ruralcampo Fondo de Pensiones pension fund, which is managed by RGA (depositary: Banco Cooperativo Español).

At present, the Group has taken out insurance policies with Generali and Cajamar Vida, S.A. de Seguros y Reaseguros to cover situations in which the required contribution is higher than the limit for pension funds. In addition, the commitments assumed with the Group employees originating from various banking entities from which the Group acquired a portion of their branch networks and certified to have been working for these entities since before 8 March 1980 have been underwritten by the Group with insurer Rural Vida, S.A. de Seguros y Reaseguros.

Also, all the savings banks - Cajas Rurales Unidas and all the other savings banks - have taken out insurance with Generali de Seguros y Reaseguros in order to underwrite the defined benefits under the collective bargaining agreement related to the long-service award due on retirement.

The Entities have also taken out policies with Rural Vida S.A. in relation to commitments with pensioners covering retirement benefits and life and disability insurance cover.

In terms of defined contribution commitments, the Group has committed to make an annual contribution to the employees of Cajas Rurales Unidas who have been in employment for at least two years or are employed under permanent contract and are not included in the defined benefit pension top-up plan, integrated in Subplan B of the Pension Plan, in an amount dependant of total ordinary wages and accumulated rights. Note, however, that these contributions have been suspended for 2013 and 2014.

A monthly contribution is made to the employees of Caixa Rural Altea and Caixa Rural de Torrent depending on their job titles.

The defined benefit commitments recognized are:

- A top-up over the social security pension, established as the difference between the amount of the latter and the ordinary wage during the last month of active service for personnel taking up employment at the former Caja Rural de Almería, Sociedad Cooperativa de Crédito before 31 December 1984.

- A top-up over the social security pension for employees joining the Group from a number of banking entities from which the Group acquired a portion of their branch networks and who were entitled to such a top-up at their original employers.

- A top-up over the widows and orphans pension on the terms stipulated in the collective bargaining agreement and the pension plan rules for all Entity employees.

- Payments in the event of death or total disability (€23.03 thousand), workplace accident (€46.06 thousand) or certified major disability (€76.6 thousand) for all Entity employees.

- Award for long service afforded to all Entity employees in the event of retirement, death or disability who have worked at the Entity for more than 20 years, consisting of three months of ordinary wages.

The Group has assumed commitments to certain employees under early retirement agreements, to which end it has set up funds that cover the commitments undertaken in terms of salaries and other social benefits from the time of early retirement until the date of official retirement and covering the need to top up remuneration after the date of official retirement.

The Group had not entered into commitments in respect of terminations other than those provided for in the Plan at either 31 December 2014 or 2013.

On 31 December 2014 and 2013, actuarial studies have been carried out relating to the coverage of the main post-employment compensation, using the projected credit unit calculation method. The main assumptions used in the actuarial studies, both for retired and early-retired personnel are presented in detail below for each credit institution:

Actuarial assumptions adopted for Grupo Cooperativo Cajamar

	2014		2013	
	Assets	Early Retirement	Assets	Early Retirement
Mortality tables	PERM/F 2000	PERM/F 2000	PERM/F 2000	PERM/F 2000
Disability tables (only for risk benefit)	Not applicable	Not applicable	Not applicable	Not applicable
Retirement age				
Pension plan	Earliest age	58 +	Earliest age	58 +
Collective Labour Agreement for banks	Earliest age	58 +	Earliest age	58 +
Annual effective technical interest rate				
Pension plan	3.95%	0.62%	4.00%	3.50%
Collective Labour Agreement for banks	3.95%	0.62%	4.00%	3.50%
Yield on assets				
Pension plan	3.95%	-	4.00%	-
Collective Labour Agreement for banks	3.95%	-	4.00%	-
Salary trend (including drifts)	3.00% / 1.50%	2.00% / 1.50%	3.50%	3.50%
Increase in consumer price (CPI)	2.00%	2.00%	2.00%	-
Increase in pensions	75% salary increment	-	75% salary increment	-
Maximum Social Security Pension (in thousands of euros)	35.7	35.7	35.6	35.6
Annual revaluation of the maximum monthly Social Security pension	1,50%	1,50%	2.00%	-
Annual increase in the Social Security contribution bases	According to CPI	According to CPI	According to CPI	-

The expected yield from assets, which is only applicable to Group pension plans, is as follows:

	Expected return on assets	
	2014	2013
Pension Plan	3,95%	4.00%
Banks	3,95%	4.00%
Early retirement	-	3.50%

3.21. Off-balance sheet customer deposits

The Group uses memorandum accounts to recognise the fair value of third-party deposits placed for investment in investment funds and companies, pension funds, savings-insurance policies and the Group's discretional portfolio management contracts and those marketed by the Group but managed by outside parties.

In addition, the memorandum accounts also record the fair value or, in the event that there is no reliable estimate, the cost of assets acquired on behalf of the Entity by third parties and debt securities, equity instruments, derivatives and other financial instruments that are held on deposit, guarantee or commission by the Entity and to which the Entity is liable.

The commissions collected for these services are recorded under the heading "Commissions received" in the consolidated income statement (Note 25).

3.22. Consolidated cash-flow statement

The terms employed in the consolidated cash flow statements have the following meanings:

- Cash flows: inflows and outflows of cash and cash equivalents, understood as short-term investments which are highly liquid and involve a low risk of changes in value.

- Operating activities: typical credit institution activities and other activities that may not be classified as investing or financing activities and interest paid for some financing received.

- Investment activities: acquisition, disposal or other elimination of long-term assets and other investments not included under cash and cash equivalents.

- Financing activities: the activities that give rise to changes in the size and composition of equity and the liabilities that do not form part of operating activities.

- Cash equivalents: highly liquid short-term investments that have a low risk of change in value, such as the balances at central banks, bills of exchange and short-term treasury promissory notes, and on-demand balances at other credit institutions.

3.23. Business combinations

In accordance with the provisions of Norm 43 of Circular 4/2004 of the Spanish Central Bank (December 22), a business combination is the union of two or more entities or independent financial units within a single company or group of companies that may result as the result of an acquisition:

- Of equity instruments in another company.

- Of all the assets and liabilities of another company, such as in a merger.

- Of a portion of the assets and liabilities of a company that forms a financial unit, such as a network of branches.

In any business combination an acquiring company will be identified, which will be that which on the acquisition date obtains control over another company, or in the event of any doubt or difficulty to identify the acquiring company, the following factors, among others, will be taken into account:

- The size of the participating companies, regardless of its legal status, measured by the fair value of its assets, liabilities and contingent liabilities, in this case the acquiring company will be the larger company.

- The means of payment for the acquisition, in which case the acquiring company will be that which pays cash or other assets.

- The persons in charge of the company's administration resulting from the combination, in which case the acquiring company will be that whose executive team manages the entity resulting from the combination.

On the business combinations performed, mainly through the exchange of equity instruments, the acquirer will normally be the entity that issues new equity instruments. However, where one of the entities participating in the combination, as a result of a significant issue of equity instruments, to be delivered to the owners of the other participating entity in exchange for ownership of the latter, ends up being controlled by the former owners of the business acquired, sometimes known as “reverse acquisitions”, the acquirer will be the entity whose former owners obtain control unless it fails to comply with the requirements to be classified as a business. In any event, when among the combined entities there is an exchange of equity instruments, the following situations and circumstances should also be taken into account, inter alia:

- Relevant voting rights in the combined entity following the business combination. The acquirer will be the entity combined whose owners as a group retain or receive the highest proportion of voting rights.

- The existence of a significant minority group when there is no majority controlling group. The acquirer will be, of the entities combined, that whose owners as a group have the largest minority interest.

- The Board of Directors or equivalent body, resulting after the combination. The acquirer will be the entity of those combined whose owners, as a group, have the capacity to choose, appoint or dismiss the majority of the members of the Board of Directors or equivalent body.

- The key personnel of the combined entity’s management. The acquirer will be the entity, of those combined, whose key management personnel, prior to the combination, controls the key management personnel of the combined entity.

- The conditions for exchanging equity instruments. The acquirer will be the entity that pays a premium over the fair value of the equity instruments, prior to the combination date, of the other entities combined.

At the acquisition date, i.e. when control is obtained over assets and liabilities:

- The acquiring company will include in its financial statements, or the consolidated accounts, the assets, liabilities and contingent liabilities of the acquired company, including the intangible assets not recognised by the latter, that on that date complies with the requirements to be recognised as such, measured at fair value calculated in accordance with the valuation criteria indicated in the Spanish Central Bank Circular 4/2004 (December 22) and subsequent amendments.

- The cost will be the sum of the fair value of the assets delivered, the liabilities incurred, and any capital instruments issued by the acquiring company together with any fees paid to legal advisors and consultants to carry out the combination. Contracting and issue costs for the financial liabilities and equity instruments are not included.

- The acquiring company will compare the cost of the business combination against the acquired percentage of the net fair value of the assets, liabilities and contingent liabilities recorded by the acquired company and the difference resulting from this comparison will be recognised:

    - When positive, such as goodwill in assets which, in any event, will be amortised but on an annual basis will be subjected to the impairment test established in Standard 30 of Spanish Central Bank Circular 4/2004 (December 22) and subsequent amendments.

    - When negative, they will be recognised in the consolidated income statement as revenue under "Negative differences on business combinations", after verification of the fair values assigned to all of the assets and liabilities and the cost of the business combination.

If the cost of the business combination or the fair values assigned to the identifiable assets, liabilities or contingent liabilities cannot be definitively calculated, the initial recognition of the business combination will be considered to be provisional and, in any event, the process must be completed within a maximum of one year after the acquisition date and taking effect on that date.

The deferred tax assets that at initial recognition do not satisfy the criteria for being recognised as such, but do at a subsequent date, will be recognised as revenue in accordance with Standard 42 of Spanish Central Bank Circular 4/2004 (December 22) and subsequent amendments and, simultaneously, an expense will be recorded to reduce the carrying value of goodwill to the amount that would have been recognised of the tax asset had been recorded as an identifiable asset at the acquisition date.

3.24. Inventories

This consolidated balance sheet heading records assets other than the financial instruments that the Group:

- Maintains for sale during the ordinary course of its business.

- Is in the process of making, building or developing for such purposes, or

- Plans to consume in the production process or in the provision of services.

Inventories include land and other properties that are held by the Group for sale as part of its property development business.

Inventories are stated at the lower of cost, which includes all amounts paid to acquire and transform the inventories and all direct and indirect costs incurred to bring them to their present condition and location, and "net realisable value". The net realisable value of inventories is their estimated selling price in the ordinary course of business, less the estimated cost of completing production and selling expenses.

Decreases in and, if applicable, subsequent recoveries of the net realisable value, below their carrying amount, are recognised in the consolidated income statement in the year they are incurred, in the caption “Impairment losses (net) – Other assets” (Note 15).

3.25. Insurance Policies

Insurance policies are the guarantees or guarantee contracts under which the Entity is obligated to compensate a beneficiary in the event of non-compliance with a specific payment obligation by a specific debtor due to the beneficiary, such as the guarantees provided to ensure the participation in auctions and public tenders, or the proper completion of a project or transaction or any other type of technical guarantee, including irrevocable guarantee promises and letters of guarantee when required by law.

They are classified on the basis of the insolvency risk assignable to the customer or transaction, and, if appropriate, the need for provision is estimated through the application of criteria similar to those indicated in Notes 3.1 and 3.3 for debt instruments measured at amortised cost.

When providing a guarantee, the Group initially recognises the fair value of the guarantee plus transaction costs under "Other liabilities" in the consolidated balance sheet and this fair value is the amount of the premium received plus the present value of the cash flows to be received, if applicable (Note 15). Simultaneously, it recognises under assets the present value of the cash flows pending receipt.

Subsequent to initial recognition, the value of commissions or premiums to be received for the guarantees recorded will be restated by recognising the differences in the consolidated income statement as financial income and the value of the guarantees recorded under liabilities in "Other liabilities" that have not been classified as doubtful are taken to the consolidated income statement on a straight-line basis over the expected life of the guarantee as commission income received.

The classification of a guarantee contract as doubtful means it will be reclassified to the heading "Provisions for risks and contingent liabilities", which are measured in accordance with IFRS 4.

3.26. Statement of changes in equity

The statement of changes in equity that is presented in these annual accounts shows all changes in equity during the year. This information is presented broken down into two statements: the statement of recognised income and expenses and the statement of total changes in equity.

The main characteristics of the information in both parts of the statement are as follows:

Statement of income and expenses recognised

This statement presents the income and expenses generated by the Group as a result of the activity during the year, making a distinction between those recognised as results in the income statement for the year, in accordance with the provisions of current legislation, directly under equity.

Statement of total changes in equity

This statement presents all the changes in equity, including those deriving from changes in accounting criteria and error corrections. This statement therefore presents a reconciliation of the carrying value at the start and end of the year for all the items making up equity, grouping the movements based on their nature in the following headings:

- Adjustments due to changes in accounting policies and error correction: include changes to consolidated equity as a result of the retroactive restatement of financial statement balances.

- Income and expenses recognized during the period: include the aggregate total of all the above-mentioned items recognized in the Consolidated Statement of Recognized Income and Expense.

- Other changes in equity: include the rest of the items recognized in equity, such as capital increases or reductions, distributed results, operations with own equity instruments, transfers between equity items and any other increase or decrease in the Group's consolidated equity

3.27. Fair value of financial instruments

As is indicated in Note 2.1 of these annual accounts, the group's entities, after receiving the authorization issued by the Bank Spain and 29 December 2010 and as a result of the Integration Contract that creates a financial group configured as a SIP, the entities have recorded in their individual financial statements, at 31 December 2012, 31 December 2011 and 31 December 2010, certain assets at their fair value.

Fair value of financial assets

The fair value of "Debt securities" that are listed on active markets is calculated based on the market price. For those debt securities that are not listed on an active market the measurement is carried out in accordance with the zero coupon curve through the TIR, adjusted by a spread that will depend on the solvency of the issuer of the securities, specifically the sector, remaining term and the rating of the issue. The zero coupon curve used for each issue will depend on the characteristics of that issue.

The account "Other equity instruments" includes investment funds and other investments listed on active markets whose measurement is carried out at fair value, i.e. using the market price on the last business day of the year. Those other investments existing at the Entity that are not listed on organized markets are measured using the method of discounting future expected cash flows, adjusted to the market yield rate for other securities with similar characteristics.

There are other investments that are measured at cost, i.e. adjusting the Entity's equity by tacit capital gains existing at the measurement date.

The fair value of the "Loan investments" have been brought into line with the present value of the cash flows that will be generated by those instruments by applying market interest rates to each maturity segment and taking into consideration the manner in which the transaction is instrumented, as well as the guarantees in place.

"Hedging derivatives" are measured at fair value using the listed price, the discount of expected future cash flows updated to the current date and other accepted measurement methods.

Fair value of financial liabilities

The measurement of the Entity's financial liabilities has been carried out using the present value of future cash flows generated by those instruments, through the application of market interest rates.

"Hedging derivatives" are measured at fair value using the method of discounting expected future cash flows updated to the current date.

Measurement of financial instruments at fair value:

The Cooperative Group measures all positions that must be recorded at fair value, either through the available market prices for the same instrument or through measurement models those employee observable market variables or, if appropriate, they are estimated based on the best information available.

The following tables present the fair value of the Cooperative Group's financial instruments at 31 December 2014 and 31 December 2013, broken down by class of financial assets and liabilities and the following levels:

- Level 1: Financial instruments whose fair value has become impaired, taking into account their listed prices on active markets without making any changes to those prices.

- Level 2: Financial instruments whose fair value has been estimated based on listed prices on organized markets for similar instruments or through the use of other measurement techniques in which all of the significant inputs are based on market information that is directly or indirectly observable.

- Level 3: Instruments whose fair value has been estimated through the use of measurement techniques in which some significant input is not based on observable market information. An input is considered to be significant when it is important to the calculation of fair value as a whole.

The table of consolidated financial assets and liabilities at fair value at 31 December 2014 is as follows:

	Thousands of euros				
			Fair Value Hierarchy		
	Total Balance	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Cash and balances with central banks	510,724	510,724	-	-	510,724
Financial liabilities held for trading (Note 7.3)	306	-	-	306	-
Other financial assets designated at fair value with changes in P&L (Note 7.4)	46,173	-	-	-	46,173
Available-for-sale financial assets (Note 7.5)	877,027	-	679,264	53,553	144,210
Loans and receivables	30,522,062	30,522,062	-	-	30,522,062
Held-to-maturity investments (Note 7.7)	15,390	15,390	13,536	1,854	-
Hedging derivatives (Note 8)	61,045	61,045	-	61,045	-
TOTAL ASSETS	**32,032,727**	**31,109,221**	**692,800**	**116,758**	**31,223,169**

	Thousands of euros				
			Fair Value Hierarchy		
	Total Balance	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Financial liabilities held for trading (Note 7.3)	299	-	-	299	-
Other financial assets designated at fair value with changes in P&L	-	-	-	-	-
Financial liabilities at amortised cost	32,684,075	32,684,075	-	-	32,684,075
Hedging derivatives (Note 8)	3,852	-	-	3,852	-
TOTAL LIABILITIES	**32,688,226**	**32,684,075**	**-**	**4,151**	**32,684,075**

The table of consolidated financial assets and liabilities at fair value at 31 December 2013 is as follows:

	Thousands of euros				
	Unrealized Results recognized in Profit & Loss			Accumulated changes in value	
	Nivel 2	Nivel 3	Total	Nivel 2	Nivel 3
Cash and balances with central banks	498,759	498,759	-	-	498,759
Financial liabilities held for trading (Note 7.3)	607	-	107	498	2
Other financial assets designated at fair value with changes in P&L (Note 7.4)	19,136	-	-	-	19,136
Available-for-sale financial assets (Note 7.5)	3,208,204	-	2,933,945	48,458	221,361
Loans and receivables	34,530,994	34,530,994	-	-	34,530,994
Held-to-maturity investments (Note 7.7)	38,741	39,768	37,907	1,865	-
Hedging derivatives (Note 8)	127,043	127,043	-	127,043	-
TOTAL ASSETS	**38,423,484**	**35,196,564**	**2,971,959**	**177,864**	**35,270,252**

	Thousands of euros				
	Unrealized Results recognized in Profit & Loss			Accumulated changes in value	
	Nivel 2	Nivel 3	Total	Nivel 2	Nivel 3
Financial liabilities held for trading (Note 7.3)	58,258	-	-	58,258	-
Other financial assets designated at fair value with changes in P&L	-	-	-	-	-
Financial liabilities at amortised cost	38,797,639	38,797,639	-	-	38,797,639
Hedging derivatives (Note 8)	7,251	-	-	7,251	-
TOTAL LIABILITIES	**38,863,148**	**38,797,639**	**-**	**65,509**	**38,797,639**

4. Errors and changes in accounting estimates

In 2014 and up to the date the consolidated annual accounts were prepared, there have been no error or change in accounting estimates that, due to their relative importance, had to be included in the annual accounts prepared by the Governing Body.

When an error relating to one or more years is corrected, mention will be made, together with the nature of the error, of:

- The amount of the correction for each of the headings in the financial statements that are affected in each of the years presented for the purposes of comparison.
- The amount of the correction in the opening balance sheet in the earliest year for which information is presented, and
- The circumstances that make retroactive restatement impractical and a description of how and since when the error has been corrected.

The Group entities will indicate the nature and the amount of any change in an accounting estimate that affects this year or is expected to affect future years. When it is impractical to make an estimate of the effect in future years, this will be disclosed.

The information presented in the annual accounts for 2013 is provided solely for purposes of comparison with information for the year to 31 December 2014 and therefore does not constitute the Group's annual accounts for 2013. The information for 2013 has been restated for comparative purposes due to the application of the change in accounting policy in relation to the recognition of the contributions to the Deposit Guarantee Fund for Credit Institutions (Note 3.17).

On 13 June 2014 the European Commission issued Regulation 634/2014, under which IFRIC 21 was adopted. This interpretation deals with the accounting treatment of government imposed levies other than taxes. The main issue raised in this respect is when the entity should recognise a liability owing to the obligation to pay a levy accounted for in accordance with IAS 37. It also addresses the accounting treatment of a liability for the payment of a levy whose payment date and amount are known with certainty.

Under Article 2 of said Regulation, entities shall apply IFRIC 21 "Levies" from the date of their first financial year commencing as from 17 June 2014, at the latest. However, the Group has decided to apply this interpretation for the first time in the annual accounts for 2014, since early adoption is permitted.

As a result of the interpretations discussed under the regulatory framework of EU-IFRS during 2014, this framework being based on Circular 4/2004, and also taking into account the publication by the Fund Management Committee of the final schedule regarding certain outstanding payments, the Group has changed the accounting policies relating to the recording and accrual of contributions to the deposit guarantee fund so that these contributions, whether annual or extraordinary, are now accounted for on the basis of the period in which the payment obligation is generated. As indicated in Schedule A2 of IFRIC 21, changes in accounting policies arising from the initial application of this interpretation are accounted for in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". The change in policy has been:

- Concerning ordinary contributions, the expense for the ordinary contributions referred to above accrues as the Entity renders its services to its customers, such that at the year end the balance sheet reflects the liability for the contribution paid in the first few months of the following year. The previuos accounting policy envisaged recording the expense for the contribution in the year in which it is paid.

- Concerning the extraordinary contribution derived from Royal Decree-Law 6/2013, the expense accrues when said Royal Decree-Law came into force (24 March 2013), since this contribution does not depend on the Entity's future activity and should be recognised as a liability in full on said date, irrespective of the date of actual disbursement. The previuos accounting policy envisaged recording the expense for the contribution as payment was made.

By contrast, the Interpretation does not imply any changes in the accounting treatment applied for the extraordinary contribution approved by the Management Committee of the Deposit Guarantee Fund dated 30 July 2012, as the amounts payable are deducted from the ordinary annual contribution, and therefore it accrues for accounting purposes simultaneously with the ordinary contribution.

The following table shows the effect on each of the headings concerned of the retroactive application of the Interpretation to the balance sheet and income statement for 2013:

	Thousands of euros				
	2013	Adjustments			Restated
Assets		Extraordinary payment	Ordinary payment	Total Adjustments	
Cash and balances with central banks	**498,759**	-	-	-	**498,759**
Financial liabilities held for trading	**607**	-	-	-	**607**
Other financial assets at fair value through profit or loss	**19,136**	-	-	-	**19,136**
Available-for-sale financial assets	**3,208,204**	-	-	-	**3,208,204**
Loans and receivables	**34,530,994**	-	-	-	**34,530,994**
Held-to-maturity investments	**38,741**	-	-	-	**38,741**
Changes in the fair value of the hedged items in portfolio hedges of interest rate risk	-	-	-	-	-
Hedging derivatives	**127,043**	-	-	-	**127,043**
Non-current assets held for sale	**394,448**	-	-	-	**394,448**
Investments	**54,633**	-	-	-	**54,633**
Insurance contracts linked to pensions	-	-	-	-	-
Tangible assets	**887,759**	-	-	-	**887,759**
Intangible assets	**336,058**	-	-	-	**336,058**
Tax assets	**923,975**	**10,667**	**11,837**	**22,504**	**946,479**
Current	28,396	-	-	-	28,396
Deferred	895,579	10,667	11,837	22,504	918,083
Other assets	**1,084,111**	-	-	-	**1,084,111**
TOTAL ASSETS	**42,104,468**	**10,667**	**11,837**	**22,504**	**42,126,972**

	Thousands of euros				
	2013	Adjustments			Restated
Liabilities		Extraordinary payment	Ordinary payment	Total Adjustments	
Financial liabilities held for trading	**58,258**	-	-	-	**58,258**
Other financial liabilities at fair value through profit or loss	-	-	-	-	-
Financial liabilities at amortised cost	**38,797,639**	-	-	-	**38,797,639**
Changes in the fair value of the hedged items in portfolio hedges of interest rate risk	-	-	-	-	-
Hedging derivatives	**7,251**	-	-	-	**7,251**
Liabilities associated with non-current assets held for sale	-	-	-	-	-
Provisions	**105,431**	-	-	-	**105,431**
Tax liabilities	**116,710**	-	-	-	**116,710**
Education and Development Fund	**14,204**	-	-	-	**14,204**
Other liabilities	**227,874**	41,890	46,483	88,373	**316,247**
Capital repayable on demand	-	-	-	-	-
TOTAL LIABILITIES	**39,327,367**	**41,890**	**46,483**	**88,373**	**39,415,740**

	Thousands of euros				
	2013	Adjustments			Restated
Equity		Extraordinary payment	Ordinary payment	Total Adjustments	
Own funds	**2,766,706**	**(31,223)**	**(34,646)**	**(65,869)**	**2,700,837**
Capital	2,315,833	-	-	-	2,315,833
Share premium	-	-	-	-	-
Reserves:	418,256	-	(34,692)	(34,692)	383,564
Other Equity instruments	25,464	-	-	-	25,464
Less: Treasury shares	-	-	-	-	-
Profit for the period attributed to parent	82,881	(31,223)	46	(31,177)	51,704
Less: Dividend and remuneration	(75,728)	-	-	-	(75,728)
Valuation adjustments	**9,775**	-	-	-	**9,775**
Minority interest	**620**	-	-	-	**620**
TOTAL EQUITY	**2,777,101**	**(31,223)**	**(34,646)**	**(65,869)**	**2,711,232**
TOTAL LIABILITIES AND EQUITY	**42,104,468**	**10,667**	**11,837**	**22,504**	**42,126,972**

	Thousands of euros				
	2013	Adjustments			Restated
Income statement		Extraordinary payment	Ordinary payment	Total Adjustments	
Interest and similar income	1,179,728	-	-	-	1,179,728
Interest expense and similar charges	(554,033)	-	-	-	(554,033)
Remuneration of capital repayable on demand	-	-	-	-	-
A) NET INTEREST INCOME	625,695	-	-	-	625,695
Return on equity instruments	2,503	-	-	-	2,503
Return on Entities accounted for by the equity method	9,386	-	-	-	9,386
Fee and commission income	295,477	-	-	-	295,477
Fee and commission expense	(25,590)	-	-	-	(25,590)
Gains or losses on financial assets and liabilities (net)	234,823	-	-	-	234,823
Exchange differences (net)	1,795	-	-	-	1,795
Other operating income	38,394	-	-	-	38,394
Other operating expenses	(74,949)	(41,890)	61	(41,829)	(116,778)
Insurance and reinsurance premiums paid	-	-	-	-	-
Variation in inventories	9,142	-	-	-	9,142
Other operating expenses	(84,091)	(41,890)	61	(41,829)	(125,920)
B) GROSS INCOME	1,107,534	(41,890)	61	(41,829)	1,065,705
Administrative expenses	(481,234)	-	-	-	(481,234)
Depreciation and amortisation	(81,678)	-	-	-	(81,678)
Provisioning expenses (net)	(92,439)	-	-	-	(92,439)
Impairment losses on financial assets (net)	(269,420)	-	-	-	(269,420)
C) NET OPERATING INCOME	182,763	(41,890)	61	(41,829)	140,934
Impairment losses on rest of assets (net)	(101,359)	-	-	-	(101,359)
Gains (losses) on disposal of assets not classified as non-current assets held for sale	5,446	-	-	-	5,446
Negative difference un business combinations	-	-	-	-	-
Gains (losses) on non-current assets held for sale not classified as discontinued operations	(18,040)	-	-	-	(18,040)
D) PROFIT BEFORE TAX	68,810	(41,890)	61	(41,829)	26,981
Income tax	14,429	10,667	(15)	10,652	25,081
Assigned to the Education and Development Fund	(486)	-	-	-	(486)
E) PROFIT FOR THE PERIOD FROM DISCONTINUED OPERATIONS	82,753	(31,223)	46	(31,177)	51,576
Profit or loss discontinued operations (net)	-	-	-	-	-
F) CONSOLIDATED PROFIT OR LOSS FOR THE PERIOD	82,753	(31,223)	46	(31,177)	51,576
Profit attributed to parent	82,880	(31,223)	46	(31,177)	51,703
Profit attributed to minority interest	(127)	-	-	-	(127)

IAS19, which governs the accounting treatment of employee benefits, was amended in 2013. The amendments imply changes in the accounting treatment of defined benefit plans; going forward all actuarial gains and losses have to be recognised immediately in equity and other recognised income and expense within the Entity’s statement of recognised income and expense. In addition, the interest cost and expected return on defined benefit plan assets are replaced under the amended standard by a net interest amount that is calculated by applying the interest rate used to estimate the present value of the net liability at the start of the year to the net defined benefit liability (asset). Lastly, the amendments have the effect of changing the presentation of the various cost items in the income statement. At 31 December 2013, the actuarial loss and gains recognised under “Reserves” in equity amounted to €295 thousand. The changes introduced by the amended standard were accounted for retrospectively.

5. Distribution of results

In 2014, the parent entity of the Grupo Cooperativo Cajamar became Banco de Crédito Social Cooperativo, S.A. Grupo Cooperativo Cajamar has replaced and is the continuation of the former Cajas Rurales Unidas Cooperative Group which was headed by Cajas Rurales Unidas, Sociedad Cooperativa de Crédito. Based on the above, the Group's Board of Directors has included the proposed distribution of the parent company's profits for 2014 which will be submitted for the approval of the General Assembly of Shareholders together with the proposal for 2013 which has already been approved relating to the former parent entity Cajas Rurales Unidas, Sociedad Cooperativa de Crédito.

Proposal for distributing the Parent Entity´s profits in 2014:

	Thousands of euros 2014
Profit for the year	**(27,191)**
Dividend and remuneration	-
Total distributable or available surplus	**(27,191)**
To mandatory Reserve Fund	-
To accumulated reserves (losses)	(27,191)
Total distributed	**(27,191)**

Distribution of Parent Entity´s profits in 2013 approved by the General Assembly:

	Thousands of euros 2013
Profit for the year prior attribution to the Parent before the mandatory transfer to the Education and Development Fund and after Income Tax	**76,923**
Profit for the year prior attribution to the Parent before the mandatory transfer to the Education and Development Fund and after Income Tax from Cajas Rurales Unidas, Sociedad Cooperativa de Crédito	**76,923**
Interest on capital contributions (Note 17.1.7)	(75,955)
Total distributable or available surplus (Note 1.4.)	**968**
To mandatory reserve fund	726
To voluntary reserve fund	145
To Education and Development Fund - mandatory transfer (Notes 3.13 and 16)	97
Total distributed	**968**

The proposal for 2013, and the subsequent distribution, was approved by the General Assembly on 22 May 2014.

6. Risk management

This section is intended to describe the various financial risks faced by the Entity and, as a result, by the Group, deriving from its banking activity as well as the objectives and policies relating to risk management, assumption, measurement and control, including the strategies and processes, the structure and organisation of the relevant risk management unit and hedging policies, broken down for each of the main types of financial instruments or planned transactions for which accounting hedges are used.

Irrespective of the fact that the Business and Financial Management units perform risk acceptance and recovery functions, risks are basically controlled by the Control General Management unit.

6.1. Corporate risk culture: general risk management principles

The Group has a clear retail banking focus and its main risks are typical retail banking risks, i.e. credit risk, liquidity risk and interest rate risk; operational risk and market risk are not significant.

The following sections explain the basic principles of risk management in each case; to summarise, it will suffice to say that all risks are managed prudently so that (i) credit risk relates basically to financing granted to families and SMEs; (ii) liquidity ratios are high and dependence on wholesale markets is moderate; (iii) the vast majority of loans bear variable rates; (iv) operational losses are low and relate mostly to small operations; and (v) market risk exposure is moderate and instrumental, since financial instrument trading portfolios are prohibited.

In the Group's risk control environment, the basic principle of functional independence is well implemented, as reflected above all in the existence of a Control General Management unit, reporting to Cajamar's Governing Board, the functions and organisational structure of which encompass all the above-mentioned risks, as explained below.

6.2. Credit risk and credit concentration risk

The Group's Credit Risk Policy and Procedures Manual, which is updated regularly, regulates: (i) the principles and criteria that should guide credit policy; (ii) the credit risk management and control polices; (iii) the bodies responsible for these risk management and control duties; and (iv) the procedures in place for facilitating said management and control.

The most important sections of this Manual are extracted here to provide the reader with a better understanding of its contents and scope.

a) **<u>Basic principles and guidelines for defining credit risk management and control policies</u>**

a.1) The basic principles are established by the Parent Entity's Governing Board and underlie the credit policy. The five basic principles are as follows**:**

- **Principle of independence:** Credit risk decisions must always be taken on the basis of the established credit policy and must not be made conditional upon the fulfillment of commercial objectives.

  In order to guarantee independent decisions, the lending activity must be tied to the following three pillars:

  - There must be a technical unit engaged solely in credit risk acceptance, monitoring and recovery processes, providing analytical support for the commercial function and expressing opinions when decisions are taken. Unit management must not be report to Commercial Network management.

  - The system of powers delegated for the granting of loans must be hierarchical and must depend, among other factors, on an objective evaluation of credit quality, obtained either from a technical analysis or from the appraisal provided by the scoring and rating models in place.

  - A control unit must independently verify fulfilment of the credit policy in general and the individual and aggregate acceptance limits in particular, as well as ensuring the correct rating and coverage of credit risks.

- **Principle of uniformity:** This principle states that credit risk control and management criteria relating to policies, structures, tools, circuits and processes must be common and must not depend on the territorial scope of the activity.

  In order to guarantee fulfillment of this principle, the Governing Board has defined the limits of the regulation competencies contained in the Credit Risk Guide, reserving:

  - for the Governing Board and it Executive Comission the establishment of criteria, policies and bodies responsible for credit risk management and control,

  - the CEO the definition of the responsible bodies for the management and credit risk control, and also the management procedures

  - lastly the Control and Intervention Body define the procedures to monitor such risk.

- **Principle of consistency:** As one of the main credit portfolio management criteria is diversification, a common and consistent measure must be in place to quantify credit risk in operations, together with uniform evaluation methods, irrespective of the segment, portfolio or sub-portfolio.

  In accordance with the Basel Committee's recommendations, the common measure that must be used to compare the size of credit risk assumed in each operation is the economic capital required in each case, i.e. the amount of capital that the entity must hold to cover its unforeseen losses.

  In order to reliably estimate economic capital and therefore guarantee the consistency principle, the Group requires:

  - Rating and scoring tools consistently incorporating the risk factors deemed relevant to each type of operations and providing an objective appraisal of the probability of non-compliance.

  - Periodic estimates of credit exposure and loss severity values, in the event of non-compliance.

  - Adjustment of total credit portfolio loss distribution and periodic estimates of the amount of capital necessary to cover the losses, with a confidence level that is compatible with the Groups's solvency objective.

- A criterion for allocating the total economic capital required to each current or potential operation.

- **<u>Principle of globality:</u>** The Group's total credit risk is not the algebraic sum of the risk inherent in each of its operations, since risk may be mitigated or aggravated by diversification or concentration factors.

  A good approximation of risk incurred cannot be achieved through the Group's non-performing loan ratios either, since they only reflect obvious risks, while latent risks will impact ratios in the future.

  The Group's credit risk management must not be limited to individual operations and customers; it must address the credit portfolio in aggregate terms, covering both the correlation between operations and overall non-compliance, and the evolution of credit value over time.

- **<u>Principle of delegation:</u>** The Parent Entity Group's Board of Directors assumes its responsibility as the ultimate credit risk management and control body, which does not preclude reasonable delegation to subordinate bodies to favour rapid adaptation and response to changing circumstances and to customer demands.

  <u>Accordingly, the Parent Entity Group's Board of Directors delegates</u>:

  1) To its Executive Committee, the approval of credit operations that cannot be resolved by subordinate bodies but must be resolved before the next Governing Board meeting, and the definition of the content of chapter two of the Credit Risk Guide which, according to the principles and criteria stipulated in the Guide, must regulate credit risk management and control policies.

  2) To the Chief Executive Officer, the definition of the content of chapter three of the Credit Risk Guide, which must regulate the bodies responsible for credit risk management and control.

  3) To Control General Management, the definition of the content of chapter five of the Credit Risk Guide, which must regulate the credit risk control procedures and the supervision of amendments to the content of the Credit Risk Guide as a whole.

  4) To Investment Committe, the preparation, verification, recognition, control and publication of Appendix II of the Credit Risk Guide.

a.2) Guidelines are also issued by the Parent Entity Group's Governing Board, establishing the rules that must be observed by all the subordinate bodies when defining the credit policy. They address each phase of the risk management cycle and related content, as summarised below:

- **Regarding the risk acceptance policy:**

  - <u>Diversification</u>. The Group's credit portfolio must be suitably diversified and show the lower possible degree of correlation with overall non-compliance.

  - <u>Credit quality</u>. Criteria for approving operations must depend basically on the borrower's capacity to fulfil financial obligations in due time and form, based on revenue from a business or habitual source of income. Nonetheless, personal or real property guarantees must be sought to secure recovery as a secondary course of action, when the primary procedure has failed.

  - <u>Operational security</u>. Loans must be arranged through a secure procedure which guarantees that agreements concluded have full legal effect and faithfully reflect the applicable terms and conditions.

  - <u>Yields</u>. Loans must have yields that match the inherent risk.

- **Regarding the loan loss oversight and prevention policy:**
    - Relative importance. Actions to prevent loan losses must be graduated on the basis of the harm that could be caused to the Group's results by default, seeking a reasonable balance between the cost and benefits of the control procedure. In order to achieve this objective, criteria must be defined to control all borrowers representing significant exposures, for which oversight and control actions must be intensified.
    - Anticipation. Actions to prevent loan losses must be implemented sufficiently in advance in order to assess and optimise management of loan recovery options. This entails defining a borrower rating system that defines the risk policy to be implemented when certain alerts are notified.
- **Regarding the past due loan collection policy:**
    - Resolute management. A default situation must be managed in a resolute manner so as to regularise the loan, propose a restructuring of the debt or initiate a claim in or out of court as soon as possible.
    - Economic effectiveness. A court claim for debts is not always the best recovery route. On occasions it is preferable to accept payment proposals comprising the dation of assets or reductions and/or deferrals; in other cases, the amount owed or the debtor's limited solvency make other forms of collection management more advisable.
- **Regarding the policy for appraising and restating real property guarantees:**
    - Objective valuation. As price formation in property markets is clearly imperfect, guarantees based on such assets must be valued as objectively as possible, since this determines the correct and rational management of the secured credit risk.
    - Efficient restatement of appraisals. The value of properties securing loans must be restated periodically both to take credit risk management decisions and to correctly calculate impairment and capital for the purposes of regulatory compliance. Nonetheless, restatement procedures must be efficient in terms of both frequency and the instruments employed.

b) Parameters defining the credit policy

b.1) Credit risk concentration limits

As diversification is one of the criteria guiding credit risk acceptance, the Group has established a limits structure to guarantee diversification; limits become more conservative when certain levels defined by the Supervisor are reached. The limits are explained below:

- **Limits on concentration by segment, credit portfolio and credit sub-portfolio**

The Group has defined a set of precise criteria for segmenting its credit operations, giving rise to five Segments that group together 12 Credit Portfolios, which in turn group together 21 Sub-portfolios. A credit exposure limit is applicable to each of these groups, depending on overall portfolio exposure, as shown in the following table:

Segment/ Portfolio/ Sub-Portfolio			
1. Retail	**80%**	**2. Corporate:**	**40%**
1.1. Home	**60%**	**2.1. Developers:**	**15%**
Normal	60%	Developer	15%
Other users	12%	Land	3%
1.2. Other financing for families	**10%**	Other developers	3%
Micro-consumption	3%	**2.2. Corporate agri-food**	**15%**
Automobiles	5%	**2.3. SMEs:**	**15%**
Other goods and services	10%	Small	10%
1.3. Automatically renewable:	**5%**	Medium	10%
Credit cards	5%	**2.4. Large businesses:**	**10%**
Overdrafts	1%		
1.4. Small businesses:	**20%**	**3. Public administrations:**	**15%**
Business activity of individuals	15%		
Micro-businesses	15%	**4. Non-profit organisations:**	**5%**
1.5. Agri-food retail:	**20%**		
Horticulture under plastic	15%	**5. Financial intermediaries:**	**5%**
Other agri-food sector	15%		

- **Limits on borrower and risk group concentration**

Concentration limits applied to individual borrowers and risk groups are considerably below the limits stipulated by the Spanish Central Bank:

% of Own Funds	
Creditor or group limit	10%
Relevant exposure	4%
Sum of relevant exposition limit	400%

- **Concentration limits applicable to specially-related companies**

A distinction is made between companies that are controlled by the Group and those that are not controlled; risks accepted with both sub-groups are subject to the following limits (expressed as a percentage of computable capital):

- Companies controlled by the Cajamar Group
  - Limit on risk accumulated with each company: 5%
  - Limit on sum of risks of all companies: 10%
- Companies not controlled by the Cajamar Group
  - Limit on risk accumulated with each company: 5%
  - Limit on sum of risks of all companies: 50%

- **System of powers for the approval of lending operations**

The empowerment system for the granting of loans is based on the principle of delegation and forms a hierarchical pyramid founded on two fundamental variables: (i) Exposure volume; and (ii) counterparty credit quality. The essential features of this system are as follows:

- Delegate bodies: bodies to which powers are delegated. There are six levels in the Group, from high to low.
  - Executive Committee
  - Investment Committee
  - Territorial Risk Committees
  - Business Committee

  There are also specialized committees with powers to approve certain types of operations:
  - Assets and Liabilities Committee, for financial market operations.
  - Employee Financing Committee, for operations requested by employees under Collective Agreements and arrangements with personnel.
  - Microcredit Committee, for operations relating to microcredit facilities arranged.
- Exposure volume limits: Each delegate body is assigned an overall limit, sublimits per operation and franchise limits.
- Credit quality modules:

  According to the **reports** generated by the models that are classed as **binding for acceptance** purposes, the powers held by the delegate bodies are modulated as follows:
  - When the report indicates “grant”, powers held by Offices, and Regional and Business Committees, to approve lending operations are increased by 25% (grade top A) and by 75% (other grades). It can not be higher tan grade A increased by 25%.
  - When the report indicates “doubtful”:
    - The powers of branches to resolve this will be reduced by 25% unless the monitoring policy assigned to the customer is "favourable”.
    - The powers of the Regional and Area Business Committees will be reduced by 25% unless the monitoring policy assigned to the customer is "favourable”.
  - When the report indicates “refuse within limits”:
    - The branches will not be authorised to resolve them, unless the amount concerned is less than or equal to 50% of the general exempt minimum.
    - Participants' Business Committees and Governing Bodies will not be authorised to resolve it unless the amount concerned is less than or equal to the general exempt minimum.
  - New financing for which the report indicates "refuse outside limit" is subject to a special authorisation process that may only be completed by a body forming part of the Entity's General Management.

The following are exempted from this rule:

- Operations originating from the restructuring of operations with the customer that might be allowed by the Entity's Central Analysis Committee, unless this pertains to the parent company's governing body due to the amount involved.

- Transactions equal to or less than €3,000 that may be granted by participating entities' branches.

- The Central, Regional and Area Business Committees and the participants' Governing Body may authorise this type of operation provided that the amount concerned is equal to or less than 75% of the general exempt minimum.

▪ If a delegate body authorises an operation which opposes the opinion of a binding credit rating model or the opinion of an analyst, the reasons for authorisation must be stated.

▪ The exempt minimum for the renewal of working capital will not operate when the party involved in the transaction is a real-estate developer. For other parties, the following will be required:

  ➢ They have been assigned a favourable or neutral risk policy, or

  ➢ They are assessed using a rating model and the rating obtained is higher than or equal to 3.5 points.

o Assignment of risk lines vis-à-vis financial institutions

In view of its specific nature, credit risk affecting the Treasury function is also managed specifically, using a risk limits system incorporated into the treasury application; this facilitates the automation of control processes and expedites daily operations.

The limit assignment system is slightly different for Spanish entities and for foreign entities. The process is as follows for Spanish entities:

▪ An initial limit is assigned based on parameters measuring the counterparty's size.

▪ This limit is adjusted based on the counterparty's solvency and profitability.

▪ The adjusted value is corrected based on the rating, providing an overall limit for the counterparty analysed.

In the case of foreign entities, the adjustment for solvency and profitability is not applied, although the counterparty volume limit and rating correction are stricter.

In both cases, as a measure to mitigate counterparty risk in uncertain situations, since 2008 a number of reductions have been applied to the limits stipulated in the established methodology. These adjustments are summarised below:

▪ 50% reduction applied to the line on the result obtained using the algorithm.

▪ Limit the maximum line granted (after applying the 50% reduction) to 10% of our equity capital.

▪ Not open a counterparty line for entities that do not show a minimum limit of € 2,000 thousand after applying the above-mentioned reductions.

b.2) Mitigation of credit risk. Guarantee acceptance policy

Irrespective of the fact that loans must be granted based fundamentally on the borrower's repayment capacity, the Group mitigates default losses by obtaining guarantees, which must be larger and more effective the longer the term of the loan and/or the lower the borrower's repayment capacity.

The risk accepted is deemed to be sufficiently secured in either of the following two circumstances:

- The fair value of the assets owned by the borrower and the guarantors amount to more than twice the value of their debts.

- The loan is secured by a pledge or a mortgage on certain assets (basically buildings, lands, deposits and securities) and the ratio of the debt to the asset's value does not exceed the values stated in the following table:

Good subject to guarantee

1. Home	% LTV
1.1. Borrower habitual residence	80%
1.2. Other Uses	70%
2. Offices, building for commercial premises	**70%**
3. Land for building	**50%**
4. Rural land	
4.1. Intensive horticulture exploited land	70%
4.2. Other exploited land	50%
5. Rest of properties	**50%**
6. Monetary deposists	**100%**
7. Transferable securities	
7.1. Type A	90%
7.2. Type B	80%
7.3. Type C	70%

The Group does not contract hedges using sophisticated products such as credit derivatives, on the understanding that, given the tight limits structure and low concentration levels, the use of this type of products would not bring significant management improvements but would increase our operational, legal and counterparty risks.

Guarantee assurance policy

Assets securing mortgage operations should be insured over the entire life of the transactions according to their nature in order to avoid that risk events can significantly reduce their value and therefore their effectiveness as a guarantee.

Therefore these assets should be covered by an insurance policy, adapted to the type of and current situation of the asset and meeting the following conditions at least:

- It should cover at least the damages deriving from claims which may affect the container.
- The sum insured must be at least equal to the value for insurance purposes recorded in the valuation certificate.
- It should reflect the express declaration that the insurance company is aware of the existence of the creditor until the loan has been fully repaid.

Internal authorization of valuation companies.

Valuations of buildings securing loans are entrusted to valuation companies authorised by the Cajamar Group.

In order to be authorised, a valuation company must fulfil the following requirements:

- Be entered in the Spanish Central Bank's Register of Valuation Companies.
- Be independent from the Cajamar Group, which entails:
  - Not being a related party under Rule 61 of Spanish Central Bank Circular 4/2004.
  - The Cajamar Group must not contribute more than 25% of the company's turnover.
- Having human and technical resources to perform the work, as well as appropriate, recent experience.
- Have internal procedures to assure independence and detect conflicts of interest.
- Have an internal control department that reviews the valuer's work.

Valuation of properties for new risk acceptance

The value of a property at the risk acceptance date is the lower of the following:

- Purchase price declared in a public deed, plus all post-acquisition costs incurred during construction, repair, extension or development of the building, excluding commercial and financial charges, and provided there are documents supporting the costs. If the purchase price and/or subsequent costs were incurred more than three years earlier, they may be restated applying appropriate restatement coefficients.
- The appraised value, which must fulfil the following requirements:
  - Issued by a valuation company authorised by the Cajamar Group.
  - Issued less than three months earlier.
  - Prepared for mortgage market purposes and in accordance with the ECO Order.
  - No determining factors.

Restatement of the value of properties securing loans

- Time-related criteria.

  In general, the value of properties securing loans must be restated every three years.
- Restated values.

  The restated value of a property securing a loan is the lower of the following:
  - Purchase price declared in a public deed plus post-acquisition costs allowed in the valuation of a property at the risk acceptance date, restated applying coefficients when more than three years have elapsed since the relevant amounts were incurred.
  - Restatement appraised value.

b.3) Rules for measuring customer payment capacity

The analysis performed before a loan is granted must study and measure the borrower's capacity to meet scheduled repayments. This entails:

- Inclusion in the loan files of sufficient economic and financial information to assess the borrower's capacity to generate funds. In the case of companies and self-employed professionals, this information must be updated yearly.

- Elimination of payment facilities included in products for commercial differentiation purposes.For loans covered by scoring or rating models, this evaluation is provided by the model itself, through one of the following two systems:

  - Including one or more payment capacity variables in the algorithm that estimates the probability of default.

  - Calculating a specific payment capacity report which, combined with the socio-economic profile report, forms the final report on the operation.

  When the operation is not evaluated using a model, the delegate body empowered to take the decision must apply similar criteria and rules.

b.4) Policy for loan terms, grade periods and settlement periods; general criteria

- Loan term:

  The maximum repayment period for loans secured by personal guarantees is the period in which the generation of funds by the borrower may be reliably estimated, subject to a maximum of 10 years.

  The maximum repayment period for loan secured by real property is the property's useful life, subject to a maximum of 25 years.

- Settlement periods:

  Principal and interest must be settled on a monthly basis.

- Grace period:

  Interest payment grace periods are not permitted.

  Principal repayment grace periods are only allowed in the following cases:

  - Bridge financing, for a maximum one-year period.

  - Project financing, where a principal repayment grace period to the project completion and start-up date may be agreed.

b.5) Restructuring policy

Where the solution to a borrower's situation is addressed by means of a debt restructuring, the aim must be to improve the Entity's risk position or, in any event, to maintain similar quality levels, applying the following criteria:

- It will be necessary to appreciate that the customer clearly has the will to pay.

- The customer should have been a customer for at least two years and have a payment record of no delays for at least one year before he starts having difficulties in settling his obligations or alternatively, he has settled at least 20%of the risk granted or evidences his intention to pay.

- In general, payment of interest accrued to the restructuring date must be demanded.
- Where interest cannot be repaid and must be fully or partially included in the restructured principal, it is essential to obtain real property or personal guarantees subject to the guarantee acceptance policy.
- An increase in exposure for reasons on any other groups will only be justified if a clear and substantial improvement in the Entity's risk position is achieved, such as when the increase permits the completion of the project financed and, therefore, the start of return flows, or when the increase is used to settle prior charges that would complicate recovery through the enforcement of guarantees.

Note 24.4 provides the required disclosures regarding refinanced and restructured transactions.

c) <u>Organisation of the risks, powers, responsibilities and delegation function Risk unit reports. Management tools and control procedures.</u>

The principal body responsible for the credit risk management and control system is the Parent Entity Group's Board of Directors, which delegates to the other bodies.

The organization of and bodies responsible for credit risk management and control, and the tools available to them, are described below through an analysis of the three risk phases:

c.1) Credit risk acceptance phase:

- **<u>Bodies involved</u>**

  - <u>Bodies empowered to grant loans</u>:

The credit risk acceptance phase first involves the bodies empowered to grant loans, as explained previously.

The delegate bodies must exercise their powers while observing established policies relating to feasibility, guarantees and loan terms; when a decision is taken that does not fulfil these policies, the reasons must be placed on record.

  - <u>Credit risk acceptance area:</u>

The area's functions are to (i) analyse, from a technical viewpoint, and report on the credit operation proposed by the Commercial Network; (ii) participate in decision-taking, forming part of the delegate bodies, and oversee compliance with established policy; (iii) manage loan arrangement, ensuring that agreements faithfully reflect the grant terms; define restatement criteria and manage the restatement of assets securing loans that are restructured, classed as doubtful or claimed in court.

- **Organisation**

  The area's work is divided into:

  - ***Analysis centres:*** They are responsible for analysing and reporting operations that, due to their amount or other characteristics, should be approved by the respective Analysis Centre Committee, Central Business Committee, certain operations by participating entities and governing bodies.

  - ***Formalisation*:** Mainly responsible for: (i) the preparation and review of financing contracts and any documentation related to lending operations, (ii) control of external companies related to the formalisation processes.

  In its day to day work the department is in permanent contact with other departments and areas of the Entity, mainly with Territorial management, the Business Committee, Credit Risk Control and Recoveries.

- **Acceptance phase management tools:**

  In addition to the limits structure explained above, other tools are employed in the acceptance process:

  - Credit rating models: The Entity uses model map during acceptance:

    - **Retail segment**

      - General reactive scoring of private individuals.
      - Reactive scoring of new residents.
      - Reactive scoring of small businesses.
      - Proactive scoring of natural persons.
      - Proactive scoring of microenterprises.
      - Scoring of intensive horticulture activities.

    - **Corporate segment**

      - SME ratings.
      - Large company ratings.

    Both the models applied to the retail segment and the SME ratings are fully integrated into management processes and are binding for empowered bodies represented only by the Commercial Network; powers modulation system is triggered by the model's credit quality assessment.

    There is also a special regime for new financing in respect of which the probability of cycle-adjusted default exceeds 12%; such financing may only be approved by the Investment Committee, chaired by the Entity's General Manager.

The portfolios to which credit granting models fully integrated into management processes are applied account for 83.2% of the Entity's total credit risk, and all retail and corporate segment portfolios are evaluated, representing 60.1% of exposure.

- Electronic case file: Risk case file management application.
- Powers circuit: Loan approval tool.
- Management centres: Manages the circuits through which a case file must travel.

o **Acceptance controls:**

The main control procedures in the acceptance phase are the limits assigned to the delegate bodies, as explained above.

c.2) Credit and concentration risk monitoring, measurement and control phase:

o **Bodies involved**

Monitoring of the credit risk is understood as the permanent classification of operations and customers in order to establish an individual action policy which strengthens credit recovery expectations in the event of default.

Responsibility for defining the evaluation systems and rating loans and customers is attributed to Global Risk Control Management, through the following organisational units and systems:

- Risk measurement methodology staff

This unit's main mission is to build credit scoring and rating models for Acceptance and Monitoring.

- Credit risk control area

Comprises the following units:

- ***Credit portfolio control***: This unit's main functions are to control concentration limits by Segment, Portfolio and Sub-portfolio, control general compliance with the credit policy and study the evolution of portfolio credit risk.

- ***Borrower control:*** The unit's main functions are to analyse and rate borrowers representing significant exposure and to control compliance with acceptance policies.

- ***Property guarantee and risk control:*** The main functions are to control valuation companies and appraisal quality, as well as the value of properties securing loans.

- ***Group risk control:*** Main functions are to coordinate Credit Risk Control, Market Risk, Liquidity, Interest and Operational Risk functions of the parent entity and entities associated with the Group.

- Market risk control:

Control of the credit and counterparty risk with financial institutions is handled by the Market and Operational Risk Control Area, which reports to Global Risk Control Management. The area is formed by two management groups, one of which is responsible for market and counterparty, liquidity and interest risk.

o **Monitoring, measurement and control tools:**

The main tools employed to monitor, measure and control credit risk are listed below:

- Customer monitoring models. The following models are used to rate customers based on a credit policy comprising three values: Favourable, neutral and restrictive.
  - Proactive scoring of natural persons
  - Proactive scoring of microenterprises
  - Follow-up scoring of intensive horticulture activities
  - SME ratings
  - Large companies ratings

- Operation monitoring models: Although they are used mainly to efficiently calculate regulatory capital, these models are also useful when monitoring portfolios. Frontier values are determined to categorise the risk of each operation as low, medium, high and very high. Set out below are a list of models in place:
  - Behavioural scoring of natural persons.
  - Behavioural scoring of microenterprises.
  - Follow-up scoring of operations with intensive horticulture activities
  - Follow-up rating of SME operations
  - Follow-up rating of large companies operations

  These models are applied to customers representing 83.20% of credit exposure.

- Segar: Segar is the basic working tool at the Borrower Control office. It is a local department-type application which covers the entire information flow of internal and external databases together with alert and alarm systems.

- Risk Datamart: A Risk Datamart is being implemented to achieve three major objectives:
  - Systematise and improve management reporting and the underlying data model;
  - Provide an adequate storage system for risk management parameters; and
  - Allow the calculation of regulatory capital for advanced approaches.

- SGT: Application used to channel counterparty risk control.

- **Monitoring controls:**

  Since November 2007 information of the different credit rating models has been included in order to assign a credit policy to the customers assessed.

  The following credit policy options are defined:

  Favourable: Customers showing good credit quality.

  Neutral: Customers with a credit quality that raises certain doubts.

  Restrictive: Customers showing clear signs of impaired credit quality.

  At present, the follow-up models classify customers accounting for 97.2% of exposure under retail and for 60.1% of exposure under corporate portfolio.

  - Operation rating using operation monitoring models.

    Operations are grouped into four categories on the basis of default probabilities:

    Low risk: The loan is unlikely to become past due.

    Average risk: There is a certain likelihood of the loan becoming past due.

    High risk: The loan is quite likely to become past due.

    Very high risk: The loan is very likely to become past due.

  - Rating of Significant Exposure borrowers.

    The Borrower Control Office performs individual reviews of borrowers and risk groups to which exposure is significant.

  - Monitoring of credit and counterparty risks relating to financial institutions.

    A daily check is performed of compliance with the credit risk limits assigned to each counterparty; counterparty credit quality is also monitored in case line updates are required.

    Similarly, given its special significance, there is a daily control of the interbank operating structure, controlling daily positions, the credit risk and effective collection of the principal and interest at maturity.

  - Control over restructured loans

    The Risk Committee of the Governing Board is informed of the performance of restructured credit on a regular basis.

c.3) Impaired asset recovery phase:

- **<u>Bodies involved</u>**

The recovery phase is performed mainly by three functional units:

- <u>Regional Management Units,</u> which have:
  - <u>Branches,</u> where the recovery of loan operations is initiated.
  - <u>Default Operations Managers,</u> their purpose is to manage recovery in their areas of influence and to directly manage the most significant defaults.

- <u>Risk Monitoring and Recovery Area,</u> whose main functions are to control and monitor early alerts, supervise recovery management and monitor the management of Laformata Servicios y Gestiones, S.L. with regard to the recovery of risks under its management and the correct implementation of Group policies (Note 1.9).

To this end, it has the following internal offices:

  - <u>Monitoring,</u> which, through various management and alert tools, handles the implementation of campaigns aimed at anticipating actions for problematic risks to reduce the volume of payment defaults and non-performing loans, and decrease doubtful accounts.
  - <u>Management control,</u> which controls and directs default management within the Group, overseeing the management of the member entities (Offices, Default Operations Managers and other managers related to risk recovery).
  - <u>Recovery analysis,</u> which analyses and reports on payment proposals involving reductions and/or deferrals, repossessions and asset purchases to repay debts, and informs the relevant Group body for approval.
  - <u>Laformata Servicios y Gestiones, S.L. (Haya),</u> a company to which litigation involving member entities has been subcontracted (Note 1.8).

- **<u>Recovery management tools:</u>**

The Entity's recovery process is managed using a number of applications:

- Past due loan management. A list is generated for consultation of **loans as from the first day of default**
- Overdraft management. Provides information on overdrafts and excesses **as from the first day of default.**
- Management of past due loans in each Office's commercial portfolio.
- Management of past due loans in foreign lending operations.
- Application that takes charge of the loan after a 15-day default period. In this application, the offices classify loans in five levels of seriousness and on this basis different management periods and actions are applicable. Every action, from first alert to credit recovery, is registered by said application.
- Information on past due risks.
- Alerts System.

- **Recovery controls:**

  Procedure manuals are in place describing actions to be taken by each body involved in management and in what time frame, modulating the involvement of higher bodies based on the default period and amount.

d) Total exposure to credit risk

The following table shows the Group's total credit risk net of valuation adjustments at the end of 2014 and 2013.

	Thousands of euros	
	2014	2013
Loans and advances to other debtors	30,192,168	34,065,563
Credit institutions	311,256	483,380
Debt securities	832,874	3,120,900
Hedging securities	61,045	127,043
Contingent exposures	628,955	744,495
Total Risk	**32,026,298**	**38,541,381**
Credit available to third parties (Note 21)	2,044,198	1,606,598
Maximum exposure	**34,070,496**	**40,147,979**

Risk is distributed by geographic area based on the location of the Entity's customers and most is assigned to businesses located in Spain and a low number of customers located in the European Union. There are no significant customers in the rest of Europe or the world.

The composition of risk, based on the total amount per customer recorded in the account "Customer loans" under the heading "Loan investments" in 2014 and 2013 is as follows:

	Thousands of euros					
	2014			2013		
Thousands of euros	Risk	Distribution (%)	Of which: Non-performing assets	Risk	Distribution (%)	Of which: Non-performing assets
Greater than 6.000	3,829,004	11.57%	1,357,253	4,758,007	12.91%	1,630,748
Between 3.000 and 6.000	1,413,609	4.27%	659,646	4,563,516	12.38%	736,251
Between 1.000 and 3.000	2,584,606	7.81%	1,071,080	2,595,264	7.04%	1,172,113
Between 500 and 1.000	1,927,499	5.83%	544,386	1,841,851	5.00%	570,176
Between 250 and 500	3,334,987	10.08%	624,025	3,347,323	9.08%	626,799
Between 125 and 250	8,291,772	25.07%	892,079	8,487,065	23.02%	919,970
Between 50 and 125	8,471,606	25.61%	514,233	8,241,146	22.36%	490,997
Between 25 and 50	1,894,606	5.73%	98,578	1,774,849	4.81%	91,490
Less than 25	1,332,734	4.03%	90,907	1,252,132	3.40%	83,131
Valuation adjustments	(2,933,055)			(2,813,540)		
Loans and advances to other debtors	**30,147,368**	**100.00%**	**5,852,187**	**34,047,613**	**100.00%**	**6,321,675**

The following table shows loans and receivables utilized and contingent risks at 31 December 2014 and 2013 by segment, portfolio and sub-portfolio:

	Thousands of euros			
	2014		2013	
	Risk	Distribution (%)	Risk	Distribution (%)
Retail:	**24,468,244**	**66.59%**	**25,050,319**	**68.62%**
Home:	**15,251,743**	**41.51%**	**15,813,487**	**43.32%**
Normal	13,661,490	37.18%	14,184,673	38.86%
Other uses	1,590,253	4.33%	1,628,814	4.46%
Other financing for families:	**2,192,405**	**5.96%**	**2,256,371**	**6.18%**
Micro-consumption	98,771	0.27%	88,568	0.24%
Automobiles	148,581	0.40%	145,508	0.40%
Other goods and services	1,945,053	5.29%	2,022,295	5.54%
Automatically renewable:	**530,466**	**1.45%**	**462,048**	**1.27%**
Credit cards	498,594	1.36%	429,582	1.18%
Overdrafts	31,872	0.09%	32,466	0.09%
Small businesses:	**4,453,913**	**12.12%**	**4,738,826**	**12.97%**
Business activity of individuals	2,227,994	6.06%	2,507,773	6.87%
Micro-businesses	2,225,919	6.06%	2,231,053	6.10%
Agri-food retail:	**2,039,717**	**5.55%**	**1,779,587**	**4.87%**
Horticulture under plastic	821,903	2.24%	847,349	2.32%
Other agri-food sector	1,217,814	3.31%	932,238	2.55%
Corporate:	**10,183,227**	**27.72%**	**9,526,388**	**26.10%**
Developers:	**4,006,917**	**10.91%**	**4,343,392**	**11.90%**
Developer	2,116,571	5.76%	2,324,416	6.37%
Land	1,282,037	3.49%	1,369,870	3.75%
Other developers	608,309	1.66%	649,106	1.78%
Corporate agri-food	**2,976,814**	**8.10%**	**2,233,298**	**6.12%**
SMEs:	**2,451,398**	**6.67%**	**2,318,071**	**6.35%**
Small	1,573,735	4.28%	1,494,617	4.09%
Medium	877,663	2.39%	823,454	2.26%
Large businesses:	**748,098**	**2.04%**	**631,627**	**1.73%**
Public administrations:	**1,343,171**	**3.66%**	**1,087,554**	**2.98%**
Non-profit organisations:	**281,269**	**0.76%**	**364,313**	**1.00%**
Financial intermediaries:	**467,591**	**1.27%**	**471,498**	**1.30%**
Total Credit Portfolio	**36,743,502**	**100.00%**	**36,500,072**	**100.00%**

Note: the figures presented in the table above correspond to the information managed by the Loan Book Control Division and not the balance sheet figures. They include customer loans and advances, contingent liabilities, undrawn balances drawable by third parties (with the exception of developer loans which exclude amounts drawable due to subrogations), non-performing assets and loans securitised and derecognised; they do not include impairment charges.

Credit risk concentration by geographical sector and counterparty at the 2014 and 2013 year end is as follows:

Year 2014

	Thousands of euros				
	Total	Spain	Rest of European Union	America	Rest of World
Credit Institutions	**229,133**	**165,144**	**63,791**	**-**	**198**
Public Administration	**1,627,145**	**1,624,269**	**2,876**	**-**	**-**
Centran Administration	630,723	627,847	2,876	-	-
Rest	996,422	996,422	-	-	-
Other financial institutions	**670,219**	**652,625**	**17,084**	**510**	**-**
Non-financial corporations and individual entrepreneurs	**12,285,954**	**12,278,423**	**4,876**	**704**	**1,951**
Construction and property development	2,327,639	2,327,324	140	-	175
Constructions of civil work	72,083	71,638	-	-	445
Other purposes	9,886,232	9,879,461	4,736	704	1,331
Large enterprises	865,784	865,586	198	-	-
SMEs and individual entrepreneurs	9,020,449	9,013,875	4,538	704	1,332
Other homes and ISFLSH	**17,530,631**	**17,352,167**	**141,888**	**7,881**	**28,695**
Housing	15,503,585	15,329,677	139,225	7,746	26,937
Retail	1,166,170	1,163,198	1,701	97	1,174
Other purposes	860,876	859,292	962	38	584
Less: Value adjustments for impairment of assets not attributable to specific operations	**(129,237)**				
Total	**32,213,845**	**32,072,628**	**230,515**	**9,095**	**30,844**

Total risk includes the following balance sheet items: loans and advances with credit institutions, loans and advances to other debtors, debt securities, equity instruments, trading derivatives, hedging derivatives, investments and contingent exposures, after deducting value adjustments for specific hedging operations.

Value adjustments not assigned to specific operations are recognised under “Value adjustments for impairment of assets not allocable to specific operations”.

Year 2013

	Thousands of euros				
	Total	Spain	Rest of European Union	America	Rest of World
Credit Institutions	**448,705**	**330,927**	**117,580**	**-**	**198**
Public Administration	**3,831,231**	**3,828,417**	**2,814**	**-**	**-**
Centran Administration	2,863,941	2,861,127	2,814	-	-
Rest	967,290	967,290	-	-	-
Other financial institutions	**3,508,572**	**3,496,205**	**11,019**	**1,348**	**-**
Non-financial corporations and individual entrepreneurs	**11,379,436**	**11,350,273**	**1,774**	**25,612**	**1,777**
Construction and property development	2,761,025	2,760,543	-	302	179
Constructions of civil work	108,648	108,028	-	-	620
Other purposes	8,509,764	8,481,702	1,774	25,310	978
Large enterprises	1,084,830	1,061,812	1,245	21,774	-
SMEs and individual entrepreneurs	7,424,933	7,419,890	529	3,536	978
Other homes and ISFLSH	**19,555,908**	**19,397,192**	**6,047**	**128,064**	**24,605**
Housing	16,056,089	15,901,605	5,830	125,724	22,930
Retail	1,951,479	1,947,822	38	2,302	1,317
Other purposes	1,548,340	1,547,765	179	38	358
Less: Value adjustments for impairment of assets not attributable to specific operations	**-**				
Total	**38,723,852**	**38,403,014**	**139,234**	**155,024**	**26,580**

Total risk includes the following balance sheet items: loans and advances with credit institutions, loans and advances to other debtors, debt securities, equity instruments, trading derivatives, hedging derivatives, investments and contingent exposures, after deducting value adjustments for specific hedging operations.

Value adjustments not assigned to specific operations are recognised under “Value adjustments for impairment of assets not allocable to specific operations”.

Credit risk concentration by geographical sector and counterparty at the 2014 and 2013 year end is as follows:

Year 2014

	Thousands of euros									
		Autonomous Communities								
	Total	**Andalucía**	**Aragón**	**Asturias**	**Baleares**	**Canarias**	**Cantabria**	**Castilla La Mancha**	**Castilla y León**	**Cataluña**
Credit Institutions	165,144	103,714	310	-	710	-	184	-	-	1,558
Public Administration	1,624,270	270,867	29,745	-	4,219	70,450	-	1,079	76,396	40,589
Centran Administration	627,847	-	-	-	-	-	-	-	-	-
Rest	996,423	270,867	29,745	-	4,219	70,450	-	1,079	76,396	40,589
Other financial institutions	652,624	11,118	-	-	86	-	-	-	417	2,285
Non-financial corporations and individual entrepreneurs	12,278,428	4,287,664	36,673	3,710	270,224	452,391	15,021	172,238	590,471	405,377
Construction and property development	2,327,327	894,555	13,486	20	17,772	61,510	4,844	36,961	85,752	74,270
Constructions of civil work	71,639	38,418	-	-	661	4,190	3	666	287	1,224
Other purposes	9,879,462	3,354,691	23,187	3,690	251,791	386,691	10,174	134,611	504,432	329,883
Large enterprises	865,586	412,021	6,658	-	13,553	14,221	792	10,592	29,386	31,264
SMEs and individual entrepreneurs	9,013,876	2,942,670	16,529	3,690	238,238	372,470	9,382	124,019	475,046	298,619
Other homes and ISFLSH	17,352,168	5,278,998	23,435	5,989	290,158	369,749	10,140	174,370	509,173	1,442,052
Housing	15,329,678	4,836,042	21,740	5,281	236,688	296,490	8,988	152,009	465,978	1,360,869
Retail	1,163,199	207,272	691	486	30,055	40,437	893	15,710	28,255	46,384
Other purposes	859,291	235,684	1,004	222	23,415	32,822	259	6,651	14,940	34,799
Less: Value adjustments for impairment of assets not attributable to specific operations	(129,237)									
Total	**31,943,397**	**9,952,361**	**90,163**	**9,699**	**565,397**	**892,590**	**25,345**	**347,687**	**1,176,457**	**1,891,861**

	Extremadura	**Galicia**	**Madrid**	**Murcia**	**Navarra**	**C. Valenciana**	**País Vasco**	**La Rioja**	**Ceuta y Melilla**
Credit Institutions	-	-	33,089	-	-	7,570	18,009	-	-
Public Administration	-	730	13,912	78,820	-	364,724	-	-	44,892
Centran Administration	-	-	-	-	-	-	-	-	-
Rest	-	730	13,912	78,820	-	364,724	-	-	44,892
Other financial institutions	-	-	612,733	3,104	57	21,571	1,253	-	-
Non-financial corporations and individual entrepreneurs	8,767	29,298	817,362	1,949,594	18,147	3,173,421	12,721	15,888	19,461
Construction and property development	291	9,824	202,440	266,512	3,260	643,957	2,682	6	9,185
Constructions of civil work	-	47	5,859	7,697	-	12,514	-	-	73
Other purposes	8,476	19,427	609,063	1,675,385	14,887	2,516,950	10,039	15,882	10,203
Large enterprises	5,548	1,458	120,802	89,071	7,660	109,863	6,740	5,957	-
SMEs and individual entrepreneurs	2,928	17,969	488,261	1,586,314	7,227	2,407,087	3,299	9,925	10,203
Other homes and ISFLSH	5,172	8,862	824,412	3,044,301	4,034	5,276,237	8,937	2,797	73,352
Housing	4,815	7,021	785,995	2,703,637	3,588	4,361,303	7,858	2,426	68,950
Retail	186	1,713	24,037	140,947	328	621,912	620	298	2,975
Other purposes	171	128	14,380	199,717	118	293,022	459	73	1,427
Less: Value adjustments for impairment of assets not attributable to specific operations									
Total	**13,939**	**38,890**	**2,301,508**	**5,075,819**	**22,238**	**8,843,523**	**40,920**	**18,685**	**137,705**

Total risk includes the following balance sheet items: loans and advances with credit institutions, loans and advances to other debtors, debt securities, equity instruments, trading derivatives, hedging derivatives, investments and contingent exposures, after deducting value adjustments for specific hedging operations.

Value adjustments not assigned to specific operations are recognised under “Value adjustments for impairment of assets not allocable to specific operations”.

Year 2013

	Miles de euros									
		Autonomous Communities								
	Total	**Andalucía**	**Aragón**	**Asturias**	**Baleares**	**Canarias**	**Cantabria**	**Castilla La Mancha**	**Castilla y León**	**Cataluña**
Credit Institutions	330,927	68,623	3,442	-	710	6,257	13,731	98	3,708	13,271
Public Administration	3,828,417	416,259	-	-	13,883	24,372	-	1,865	30,920	53,534
Centran Administration	2,861,127	-	-	-	-	-	-	-	-	-
Rest	967,290	416,259	-	-	13,883	24,372	-	1,865	30,920	53,534
Other financial institutions	3,496,205	10,439	-	-	86	-	-	-	417	1,697
Non-financial corporations and individual entrepreneurs	11,350,272	3,475,545	32,609	2,344	192,507	409,581	13,428	172,737	508,598	370,888
Construction and property development	2,760,543	1,026,757	9,513	-	20,041	81,561	4,857	49,199	103,414	87,725
Constructions of civil work	108,028	52,990	29	-	237	4,461	-	999	322	1,380
Other purposes	8,481,701	2,395,798	23,067	2,344	172,229	323,559	8,571	122,539	404,862	281,783
Large enterprises	1,061,811	479,261	5,756	-	26,506	14,782	-	11,004	10,483	17,538
SMEs and individual entrepreneurs	7,419,890	1,916,537	17,311	2,344	145,723	308,777	8,571	111,535	394,379	264,245
Other homes and ISFLSH	19,397,193	6,106,992	30,891	6,703	315,892	431,415	10,536	192,755	579,680	1,546,728
Housing	15,901,605	4,959,962	22,630	5,484	244,944	318,793	9,068	158,607	481,802	1,437,746
Retail	1,947,824	354,217	1,580	824	48,133	53,349	928	22,807	34,049	80,162
Other purposes	1,547,764	792,813	6,681	395	22,815	59,273	540	11,341	63,829	28,820
Less: Value adjustments for impairment of assets not attributable to specific operations	-	-	-	-	-	-	-	-	-	-
Total	**38,403,014**	**10,077,858**	**66,942**	**9,047**	**523,078**	**871,625**	**37,695**	**367,455**	**1,123,323**	**1,986,118**

	Extremadura	**Galicia**	**Madrid**	**Murcia**	**Navarra**	**C. Valenciana**	**País Vasco**	**La Rioja**	**Ceuta y Melilla**
Credit Institutions	-	6,158	131,240	-	-	56,703	26,986	-	-
Public Administration	-	3,344	5,029	87,408	-	315,134	-	-	15,542
Centran Administration	-	-	-	-	-	-	-	-	-
Rest	-	3,344	5,029	87,408	-	315,134	-	-	15,542
Other financial institutions	-	30	3,476,625	3,147	66	587	3,111	-	-
Non-financial corporations and individual entrepreneurs	1,547	25,522	1,230,245	1,695,385	16,063	3,164,852	5,532	15,809	17,080
Construction and property development	148	10,501	320,442	279,575	7,721	749,840	2,236	14	6,999
Constructions of civil work	-	155	29,740	6,008	-	11,394	-	223	90
Other purposes	1,399	14,866	880,063	1,409,802	8,342	2,403,618	3,296	15,572	9,991
Large enterprises	-	1,831	339,722	81,628	2,781	65,414	297	4,785	23
SMEs and individual entrepreneurs	1,399	13,035	540,341	1,328,174	5,561	2,338,204	2,999	10,787	9,968
Other homes and ISFLSH	5,111	8,914	908,114	3,370,041	4,049	5,783,113	15,443	2,658	78,158
Housing	4,513	6,656	819,272	2,802,378	3,358	4,544,321	7,283	2,242	72,546
Retail	339	1,086	36,796	321,138	358	986,720	1,055	244	4,039
Other purposes	259	1,172	52,046	246,525	333	252,072	7,105	172	1,573
Less: Value adjustments for impairment of assets not attributable to specific operations	-	-	-	-	-	-	-	-	-
Total	**6,658**	**43,968**	**5,751,253**	**5,155,981**	**20,178**	**9,320,389**	**51,072**	**18,467**	**110,780**

Total risk includes the following balance sheet items: loans and advances with credit institutions, loans and advances to other debtors, debt securities, equity instruments, trading derivatives, hedging derivatives, investments and contingent exposures, after deducting value adjustments for specific hedging operations.

Value adjustments not assigned to specific operations are recognised under “Value adjustments for impairment of assets not allocable to specific operations”.

6.3. Market and Exchage-rate Risk

a) Risk policy: limits, diversification and mitigation

The Entity’s Governing Board has approved the update of the former market, foreign exchange, interest rate and liquidity risk manuals which have been recast and consolidated into a single manual; credit limits have been adapted to reflect the Group's new configuration. This new manual regulates: (i) the basic principles governing these risk factors at the Group; (ii) the applicable limits; (iii) the bodies tasked with their management and control; (iv) the procedures for calculating exposure and the related limits; and (v) the risk management and control reports.

The basic **principles** are as follows:

- The Group's exposures to market and exchange risks must never be speculative in nature, in the sense that they must never be incurred to obtain gains from short-term price fluctuations. Consequently, there is a prohibition on trading portfolios, which does not preclude certain instruments, contracted for hedging purposes, being recognised as trading instruments under applicable regulations.
- Derivative instruments and forward currency transactions may only be contracted to hedge previously authorised risk positions.
- Fixed-income or equity instruments may only be acquired as part of the management of a "portfolio" the creation of which must be specifically authorised by the Executive Committee, which will establish the portfolio's investment policy and management objectives and, if applicable, will impose limits on value losses and value at risk. Where no limits are necessary, the reasons must be stated in the agreement.
- Exchange risk limits are reduced to levels strictly necessary to fulfil customers' operating needs, resulting in the following three specific exchange risk limits:
    - The sum of the equivalent value in euros of currency positions, using absolute values, may not exceed 0.60% of computable capital.
    - The equivalent value in euros of the position in each currency, in absolute terms, may not exceed 0.40% of computable capital.
    - The value at risk of the currency position expressed in annual terms and at a 99% confidence level may not exceed 0.08% of computable capital.
- Only the Group´s Parent Entity may have exposition to market risk.
- The net market risk position may not exceed 50% of computable capital.
- The net market risk position in equity portfolios may not exceed 5% of computable capital

b) Organisation of the risks, powers, responsibilities and delegation function. Risk control function. Risk unit reports

The following bodies are responsible for managing and controlling market and exchange risks:

- Assets and Liabilities Committee (ALCO)
- Treasury Capital Markets Management
- Market risk control
- Balance Management
- Treasury Administration

The Market Risk Control office is responsible for controlling market, counterparty, exchange, liquidity and interest rate risks, reporting to the Market and Operational Risk Control Area, which forms part of Global Risk Control Management.

c) Management tools: measurement, communication, control and monitoring systems

The Entity manages market risk using the SGT application. This is a front-to-back system, meaning that the information captured at source (front office) travels directly to back office, avoiding capture duplication and possible operating errors.

At 31 December 2014 and 2013 the impact of exchange rate risk is not significant at the Group since it does not maintain any relevant positions denominated in foreign currencies.

The following table summarizes the Group's exposure to exchange risk:

	Thousands of euros	
Assets	**2014**	**2013**
Cash and balances with central banks	2,475	2,715
Loans and advances to credit institutions	28,432	34,072
Other assets	25,421	12,610
Total	**56,328**	**49,397**

	Thousands of euros	
Liabilities	**2014**	**2013**
Deposits from credit institutions	1,810	2,535
Deposits from other creditors	35,838	38,702
Other liabilities	3,435	783
Total	**41,083**	**42,020**
Net position	**15,245**	**7,377**
Buy and sell currencies	**50,696**	**31,381**

The net amount of exchange-rate risks recognised in the consolidated income statement, except for those included in the portfolio of financial assets and liabilities at fair value through changes in profit or loss totals 2,341 thousand euros in 2014 (1,795 thousand Euros in 2013).

In 2014 and 2013 the Group did not record any "Exchange differences" under the heading "Measurement adjustments" in "Equity".

6.4. Operational risk

- **Risk policy: limits, diversification and mitigation**

In the Operational risk Manual, approved by the Parent Entity's Governing Board, the following are regulated: (i) the basic principles governing these risk factors at the Group; (ii) the applicable limits; (iii) the bodies tasked with their management and control; (iv) the procedures for calculating exposure and the related limits; and (v) the risk management and control reports.

The general principles of operational risk management and control that must be observed in all related activities are as follows:

- Principle of accountability: Senior management and the governing bodies are responsible for designing and transmitting the values, basic principles and policies of management. They are ultimately responsible for the Group's operational risks.
- Principle of functional independence: In order to establish the effective management of the Operational Risk, there must be autonomy in decision taking with respect to the persons and departments directly affected by this risk.
- Principle of consistency, according to which there must be consistency in policies, processes, procedures and tools. As a result, the concept of Operational Risk has been accurately defined and its definition is known and adopted by all those involved. The Operational Risk Control Office was set up and a network of Operational Risk Coordinators was defined with specific and concrete functions in order to extend this principle to each of the areas and offices affected by this risk.

- Principle of transparency. In light of the need for a corporate culture of Operational Risk, it is necessary to establish appropriate disclosure of the actions performed to manage this risk at both internal and external level, ensuring that the organisation and market players are able to know and assess the Group's Operational Risk approach.
- Principle of adapting to change. Due to the on-going changes in the regulation and management of credit institutions, the need is established for the bodies responsible for operational risk control to analyse specifically (i) the operational risk profile of new products, processes, systems and lines of business, (ii) the change of the overall risk profile resulting from acquisitions, mergers or integrations and (iii) the Operational Risk inherent in regulatory amendments.
- Principle of assurance. The Group's Entities should cover their operational risk through insurance contracts, the establishment of a self-insurance fund or through the combination of both systems. The Parent Entity is ultimately responsible for these decisions.

The fundamental objectives of operational risk management and control are listed below:

- Identify events that could cause a loss.
- Define appropriate controls to avoid losses.
- Measure the capital necessary to cover operational risk.
- Prepare periodic reports on exposure to operational losses.

In order to achieve these objectives, a five-phase **management cycle** has been defined: identification, evaluation, monitoring, measurement and mitigation.

The **scope of application** of the management cycle is the entire organisation, through all levels, such that it is applied to all risks entailing material exposure. The only exceptions are those areas, departments or processes where there is no material exposure to operational risk.

In order to assure this level of implementation, an analysis should be included of all the Group's credit institutions and special vehicle companies.

- **Organisation of the risks, powers, responsibilities and delegation function. Risk control function. Risk unit reports.**

Senior management and the governing bodies are responsible for designing and transmitting operational risk values, basic principles and management policies and are ultimately responsible for the Group's operational risks.

The following bodies have responsibilities relating to operational risk management and control:

- Board of Directors' Risk Committee.
- Control Committee.
- Control General Management.
- Global Risk Control Management
- Operational Risk Control.
- Coordinator network

- **Management tools: measurement, communication, control and monitoring systems**

  The Entity has the necessary tools to manage and measure operational risk adequately and fully, through the following management modules:

  - Loss database: Registers relevant data on all operational risk events. Historical depth of over five years.
  - Risk and self-assessment map: Qualitative evaluation of risks affecting each area (departments and office network) and mitigating controls in place.
  - KRIs: Key risk indicators or operational risk indicators.
  - Action plans or proposals for improvement.

  For the calculation of capital consumption caused by operational risk, the necessary automatic procedures have been developed to allocate relevant income by business line, so as to calculate capital requirements under the standard approach of operational risk.

  The Group forms part of the ORX Consortium and the Spanish Operational Risk Consortium (CERO) and it also joined C.E.C.A., the Spanish benchmarking platform, in order to provide comparative event losses data within the sector.

6.5. Interest rate risk

a) Risk policy: limits, diversification and mitigation

In relation to management of this risk factor, the Manual Governing Market, Foreign Exchange, Liquidity and Interest Rate Risk addresses: (i) the basic principles governing these risk factors at the Group; (ii) the applicable limits; (iii) the bodies tasked with their management and control; (iv) the procedures for calculating exposure and the related limits; and (v) the risk management and control reports.

The basic interest rate risk principles contained in the Guide are as follows:

- The Group must apply a commercial and financial policy of minimal exposure to interest rate risk.
- Despite this principle, since the mere evolution of the market interest rate curve could place the Group on undesired exposure levels, a system of powers must be established to determine whether to maintain the exposure reached or take measures to reduce it.

In order to ensure compliance with the principles, a limit is applied to products showing significant exposure, and a powers regime is applicable for situations in which certain interest rate risk exposure levels are reached:

- Limit on products showing significant exposure, whereby investments and financing for terms of over 40 months must be arranged at variable interest rates. Exceptions must be authorized by the Assets and Liabilities Committee (ALCO) after their impact on exposure to interest rate risk has been examined.

- Faculties to resolve against certain exposure levels. A simple exposure to risk is calculated, and is evaluated by analysing the impact of a relative decrease in the financial margin at 12 months in the event of sudden and parallel changes of +/- 100 basis points in the interest rate curve, discounted by the market. Depending on the level presented, the decision of maintaining the position or adopting the corrective measures is defined as follows:

Interest rate risk indicator	Authorised body
Betw een 5% and 10%	Assets and Liabilities Committee
Above 10%	Executive Committee

b) Organisation of the risks, powers, responsibilities and delegation function. Risk control function. Risk unit reports

The bodies responsible for managing and controlling liquidity and interest rate risk are defined in the Balance Sheet Risks Guide, as follows:

- Executive Committee of the Board of Directors
- Assets and Liabilities Committee (ALCO).
- Treasury Capital Markets Management.
- Market risk control.
- Balance Management.

c) Management tools: measurement, communication, control and monitoring systems

The Group manages interest rate risk using the Bancware Focus ALM application, which generates interest rate risk statements and all kinds of static and dynamic analyses to evaluate the impact of different interest rate evolution scenarios.

Impact on the Income Statement

The sensitivity of the Gross earnings margin is analysed, both from a that point of view (maintaining the size and structure of the balance sheet) as well as from a dynamic point of view (including budgeted growth in the balance sheet) as a result of the impact resulting from various scenarios of interest rate changes. A 100 basis points increase (1%) in interest rates, assuming that the size and structure of the balance sheet remains the same, would have an impact on the gross earnings margin that is sensitive to interest rates on a 1 year horizon totalling 1.35% (-7.28% in 2013).

Impact on Financial Value:

Future cash flows are restated to obtain an approximation of the Entity's present value, paying special attention to the repricing of equity figures and the effect of various options. As a result of the analysis, the impact on the Entity's financial value in the event of an instant 100 basis point increase (1%) in interest rates is -1.78% (-3.81% in 2013).

Analysis of interest rate risk from the point of view of financial value at 31 December 2014

The following table shows the analysis of interest rate risk that affects the Parent Entity's financial activity at 31 December 2014:

Year 2014	Up to 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 and 12 months	More than 12 months	Total Sensitive	Sensitivity (variation 1 pb.)	Term	Not Sensitive	Total
ASSETS										
Money market	355,495	-	-	-	-	355,495	3	0.08%	-	355,495
Credit market	2,494,079	4,682,560	6,926,840	9,097,814	3,509,517	26,710,810	5,955	2.23%	3,364,959	30,075,769
Capital market	17,016	33,679	33,110	504,316	157,331	745,452	172	2.31%	276,145	1,021,597
Other assets	-	-	-	-	-	-	-	-	4,570,315	4,570,315
	2,866,590	**4,716,239**	**6,959,950**	**9,602,130**	**3,666,848**	**27,811,757**	**6,130**	**2.21%**	**8,211,419**	**36,023,176**
LIABILITIES										
Money market	1,146,469	121,470	305,553	47,504	1,281,786	2,902,782	497	1.71%	-	2,902,782
Medium and long-term issues	708,303	1,339,522	500,000	500,000	1,250,000	4,297,825	476	1.11%	-	4,297,825
Other liabilities	-	-	-	-	-	-	-	-	3,926,184	3,926,184
Creditors	3,387,795	3,640,730	2,888,901	4,489,994	10,488,965	24,896,385	3,473	1.40%	-	24,896,385
	5,242,567	**5,101,722**	**3,694,454**	**5,037,498**	**13,020,751**	**32,096,992**	**4,446**	**1.38%**	**3,926,184**	**36,023,176**
Gap	**(2,375,977)**	**(385,483)**	**3,265,496**	**4,564,632**	**(9,353,903)**	**(4,285,235)**	**1,684**	**0.82%**	**4,285,235**	
Gap/Assets (%)	**(6.60%)**	**(1.07%)**	**9.06%**	**12.67%**	**(25.97%)**	**(11.90%)**				

Note: the figures in the preceding table derive from the information in the possession of the ALCO and not the balance sheet figures, no valuation adjustments regarding interest accruals and commissions are included, as well as negotiation and hedging derivatives, and including the securized loans out of balance

Analysis of interest rate risk from the point of view of financial value at 31 December 2013

The following table shows the analysis of interest rate risk that affects the Parent Entity's financial activity at 31 December 2013:

Year 2013	Up to 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 and 12 months	More than 12 months	Total Sensitive	Sensitivity (variation 1 pb.)	Term	Not Sensitive	Total
ASSETS										
Money market	3,453,251	104,744	-	-	-	3,557,995	12	0.03%	-	3,557,995
Credit market	2,460,429	4,892,560	7,106,971	9,319,976	2,869,726	26,649,662	4,231	1.59%	4,093,917	30,743,579
Capital market	422,629	98,549	16,198	54,741	2,285,180	2,877,297	2,018	7.01%	425,560	3,302,857
Other assets	-	-	-	-	-	-	-	0.00%	4,491,618	4,491,618
	6,336,309	**5,095,853**	**7,123,169**	**9,374,717**	**5,154,906**	**33,084,954**	**6,261**	**2.70%**	**9,011,095**	**42,096,049**
LIABILITIES										
Money market	6,484,531	511,894	401,589	71,770	273,106	7,742,890	189	0.24%	-	7,742,890
Medium and long-term issues	1,053,345	1,543,928	1,181,200	942,300	1,250,000	5,970,773	661	1.11%	-	5,970,773
Other liabilities	-	-	-	-	-	-	-	0.00%	3,961,153	3,961,153
Creditors	3,878,083	3,849,988	3,390,306	4,466,302	8,836,554	24,421,233	3,283	1.34%	0	24,421,233
	11,415,959	**5,905,810**	**4,973,095**	**5,480,372**	**10,359,660**	**38,134,896**	**4,133**	**1.16%**	**3,961,153**	**42,096,049**
Gap	**(5,079,650)**	**(809,957)**	**2,150,074**	**3,894,345**	**(5,204,754)**	**(5,049,942)**	**2,128**	**0.82%**	**5,049,942**	
Gap/Assets (%)	**(12.07%)**	**(1.92%)**	**5.11%**	**9.25%**	**(12.36%)**	**(12.00%)**				

Note: the figures in the preceding table derive from the information in the possession of the ALCO and not the balance sheet figures, no valuation adjustments regarding interest accruals and commissions are included, as well as negotiation and hedging derivatives, and including the securized loans out of balance.

From the point of view of Basel II, the Entity presents an implicit risk that is lower than the 20% limit established by the NACB in the event of a 200 basis point change, above which an entity is considered to be an "outlier", and it is exempt from capital requirements relating to this type of risk.

Internal operations, the method used to manage assets and liabilities, the type of information and the criteria applied are covered by the Assets and Liabilities Procedures Committee Manual for the Entity that has been approved by the ALCO.

6.6. Liquidity risk

a) Risk policy: limits, diversification and mitigation

The Parent Entity's Governing Board has approved the update of the former market, foreign exchange, interest rate and liquidity risk manuals, which have been recast and consolidated into a single manual; credit limits have been adapted to reflect the Cooperative Group's new configuration. This new manual regulates: (i) the basic principles governing these risk factors at the Cooperative Group; (ii) the applicable limits; (iii) the bodies tasked with their management and control; (iv) the procedures for calculating exposure and the related limits; and (v) the risk management and control reports.

The basic principles regarding the management of liquidity risk, which are included in this manual, are:

- The Group must maintain a level of liquid assets that is sufficient to attend to the closest maturities of liabilities.
- The Group must finance loan investments mainly using retail resources, and making the use of wholesale financing remain within prudent limits.
- The Group must maintain an adequate diversification of the maturity dates relating to wholesale financing, and will keep control in the maturity date of those maturing at long term regarding any new emission.
- The Group must maintain an adequate reserve of assets that may be easily converted to cash
- The Group must define and apply a Liquidity Contingency Plan that foresees the action to be taken in the event of liquidity crisis situations deriving from both internal and external causes
- The Group should have defined a set of relevant stress scenarios and periodically assess the levels of risk associated with each.

The following limits structure is applied to ensure that liquidity risk exposure is compatible with the basic principles referred to above:

- Short-term liquidity risk limits:
  - Daily liquidity limit. The liquidity for immediate use by the Group at the start of business, adjusted for the expected movement of funds, should be sufficient to cover any unexpected outflow of funds on a working day with a confidence level of 99%.
  - Six-month liquidity profile ratio limit (RPL6M). The Group's effective liquidity, i.e. liquid assets minus enforceable liabilities derived from wholesale financing, in a six-month time horizon, may not fall below 4% of customer funds. This limit must be fulfilled on a weekly average basis.
  - Guarantees available in the discountable assets portfolio. The Group must at all time keep discountable assets vis-à-vis the European Central Bank having a cash value of at least € 1,000 million.
- Limit on dependence on wholesale financing. Wholesale financing may not exceed 20% of loans and receivables.
- Limits on short-term wholesale financing. Net wholesale financing falling due in six months or less may not exceed the lower of the following amounts:
  - Overall cash value of the portfolio of discountable assets at the European Central Bank.
  - Thirty percent of total wholesale financing.

- Limit applicable to the eligible mortgage portfolio. The outstanding balance of covered mortgage bonds issued by the Group may not exceed 65% of the eligible mortgage portfolio.
- A Liquidity Contingency Plan has been prepared and implemented.

b) Organisation of the risks, powers, responsibilities and delegation function. Risk control function. Risk unit reports

The bodies responsible for liquidity and interest rate risk management and control are the same bodies described in the point on interest rate risk.

c) Management tools: Measurement, control and monitoring systems

The tools used to measure, control and monitor this risk are the application SGT (Sistema Global de Tesorería), the Financial Server and Bancware Focus ALM.

Within the framework of overall liquidity management (Notes 7.1, 7.4, 7.5.a, 7.5.b, 7.6.a, 7.6.b, 7.6.c, 7.7 and 7.8) advances are being made toward the objective of the diverse defined the sources of financing, in order to obtain a wide range of tools that allow for the flexible, agile and adjusted management of the cost of liquidity.

Financial instruments broken down by residual maturity terms at 31 December 2014 and 2013 are as follows. The maturity dates that have been taken into consideration to build the accompanying table are the expected dates of maturity or cancellation obtained from the Group's past experience:

Year 2014	Thousands of euros									
Assets	**On demand**	**Up to 1 month**	**Between 1 and 3 months**	**Between 3 and 6 months**	**Between 6 months and 1 year**	**Between 1 and 5 years**	**More than 5 years**	**Undetermined and unclassified maturity**	**Valuation adjustments**	**Total**
Cash and balances with central banks	294,644	-	-	-	-	-	-	216,080	-	510,724
Loans and advances to credit institutions	57,071	113,599	3,288	-	-	134,778	-	2,450	71	311,256
Loans and advances to other debtors	-	678,650	1,033,677	911,994	1,846,751	6,895,659	16,630,780	5,082,911	(2,933,055)	30,147,368
Debt securities	-	7,393	10,453	24,286	503,281	127,537	160,443	-	(519)	832,874
Total	351,715	799,642	1,047,418	936,280	2,350,032	7,157,974	16,791,223	5,301,441	(2,933,503)	31,802,222
Liabilities										
Deposits from central banks	-	300,000	-	-	-	1,102,439	-	-	70	1,402,509
Deposits from credit institutions	380,085	75,609	3,288	-	-	725,094	2,918	2,025	5,005	1,194,023
Deposits from other creditors	11,434,851	1,711,095	2,364,044	2,806,621	4,943,698	3,494,588	1,413,265	30,853	106,095	28,305,110
Debt certificates including bonds	-	-	-	-	-	1,245,903	-	-	14,154	1,260,057
Subordinated liabilities	-	-	49,186	-	71,406	-	-	-	12,345	132,937
Total	11,814,936	2,086,704	2,416,518	2,806,621	5,015,104	6,568,024	1,416,183	32,878	137,668	32,294,636
Gap (without valuation adjustments)	(11,463,221)	(1,287,062)	(1,369,100)	(1,870,341)	(2,665,072)	589,950	15,375,040	5,268,563		2,578,758
Accumulated gap	(11,463,221)	(12,750,282)	(14,119,382)	(15,989,723)	(18,654,795)	(18,064,846)	(2,689,806)	2,578,758		

Year 2013	Thousands of euros									
Assets	**On demand**	**Up to 1 month**	**Between 1 and 3 months**	**Between 3 and 6 months**	**Between 6 months and 1 year**	**Between 1 and 5 years**	**More than 5 years**	**Undetermined and unclassified maturity**	**Valuation adjustments**	**Total**
Cash and balances with central banks	316,306	-	-	-	-	-	-	182,378	75	498,759
Loans and advances to credit institutions	380,552	98,270	-	-	-	2,000	-	2,481	77	483,380
Loans and advances to other debtors	-	3,662,865	839,477	817,586	1,558,700	6,714,543	17,059,523	6,208,459	(2,813,540)	34,047,613
Debt securities	-	342,934	38,552	6,044	60,423	257,568	2,415,442	77,573	(198)	3,198,338
Total	696,858	4,104,069	878,029	823,630	1,619,123	6,974,111	19,474,965	6,470,891	(2,813,586)	38,228,090
Liabilities										
Deposits from central banks	-	-	-	-	-	4,600,000	-	-	65,282	4,665,282
Deposits from credit institutions	752,025	106,878	189	692	-	1,634,211	3,683	1,828	22,295	2,521,801
Deposits from other creditors	10,333,724	1,746,296	2,782,476	3,049,297	4,770,364	4,442,073	1,779,208	37,413	165,977	29,106,828
Debt certificates including bonds	-	-	-	-	734,611	1,245,831	-	-	38,554	2,018,996
Subordinated liabilities	-	-	-	-	-	120,592	-	-	6,427	127,019
Total	11,085,749	1,853,174	2,782,665	3,049,989	5,504,975	12,042,707	1,782,891	39,241	298,535	38,439,926
Gap (without valuation adjustments)	(10,388,891)	2,250,895	(1,904,636)	(2,226,359)	(3,885,852)	(5,068,596)	17,692,074	6,431,650		2,900,285
Accumulated gap	(10,388,891)	(8,137,996)	(10,042,632)	(12,268,991)	(16,154,843)	(21,223,439)	(3,531,365)	2,900,285		

7. Financial Instruments

7.1 Cash and deposits at central banks

The composition of the heading "Cash and deposits at central banks" in the accompanying consolidated balance sheet at 31 December 2014 and at 31 December 2013 is as follows:

	Thousands of euros	
	2014	**2013**
Cash on hand	294,660	316,468
Spanish Central Bank:		
Assets purchased under resale agreements	-	-
Rest of deposits	216,064	182,216
Other central banks	-	-
Valuation adjustments:		
Accrued interest	-	75
Total	**510,724**	**498,759**

The balance under the heading "Spanish Central Bank - Other deposits" relates to the deposit made to cover the minimum reserve ratio for the Parent Entity (Note 1.4).

Details of the remaining term until maturity of these headings is described in Note 6.6 regarding liquidity risk.

The balance of this heading has been considered to be cash or cash equivalents for the purposes of preparing the cash flow statements for 2014 and 2013.

7.2 Breakdown of financial assets and liabilities by nature and category

Details of the carrying value of the financial assets owned by the Group at 31 December 2014 and 31 December 2013, classified at those dates based on the nature and the category defined in the relevant legislation, are as follows:

	Thousands of euros				
	2014				
	Financial assets held for trading	**Other financial assets at fair value through profit or loss**	**Available-for-sale financial assets**	**Loans and receivables**	**Held-to-maturity investments**
Financial assets Type/Category					
Loans and advances to credit institutions	-	-	-	311,256	-
Loans and advances to other debtors	-	44,800	-	30,147,368	-
Debt securities	-	1,373	752,673	63,438	15,390
Equity instruments	1	-	124,354	-	-
Trading derivatives	305	-	-	-	-
Total	**306**	**46,173**	**877,027**	**30,522,062**	**15,390**
	2013				
Financial assets Type/Category					
Loans and advances to credit institutions	-	-	-	483,380	-
Loans and advances to other debtors	-	17,950	-	34,047,613	-
Debt securities	-	1,186	3,080,973	-	38,741
Equity instruments	109	-	127,231	-	-
Trading derivatives	498	-	-	-	-
Total	**607**	**19,136**	**3,208,204**	**34,530,993**	**38,741**

Details of the carrying value of the Group's financial liabilities at 31 December 2014 and 31 December 2013, classified at those dates based on the nature and the category defined in the relevant legislation, are as follows:

	Thousands of euros		
	2014		
	Financial assets held for trading	Other financial assets at fair value through profit or loss	Financial liabilities at amortised cost
Financial liabilities Type/Category			
Deposits from central banks	-	-	1,402,509
Loans and advances to credit institutions	-	-	1,194,023
Deposits from other creditors	-	-	28,305,110
Debt certificates including bonds	-	-	1,260,057
Trading derivatives	299	-	-
Subordinated liabilities	-	-	132,937
Short positions	-	-	-
Other financial liabilities	-	-	389,439
CONSOLIDATED TOTAL	**299**	**-**	**32,684,075**
	2013		
Financial liabilities Type/Category			
Deposits from central banks	-	-	4,665,282
Loans and advances to credit institutions	-	-	2,521,800
Deposits from other creditors	-	-	29,106,828
Debt certificates including bonds	58,258	-	2,018,996
Trading derivatives	-	-	-
Subordinated liabilities	-	-	127,019
Short positions	-	-	-
Other financial liabilities	-	-	357,714
CONSOLIDATED TOTAL	**58,258**	**-**	**38,797,639**

7.3. Trading portfolio

The balances of these financial asset and liability headings in the accompanying consolidated balance sheets are as follows:

	Thousands of euros			
	Assets		Liabilities	
	2014	2013	2014	2013
Deposits from central banks	-	-	-	-
Loans and advances to credit institutions	-	-	-	-
Loans and advances to other debtors	-	-	-	-
Deposits from other creditors	-	-	-	-
Debt securities	-	-	-	-
Debt certificates including bonds	-	-	-	-
Equity instruments	1	109	-	-
Trading derivatives	305	498	299	58,258
Short positions	-	-	-	-
Other financial liabilities	-	-	-	-
Total	**306**	**607**	**299**	**58,258**

In accordance with the matters indicated in Note 3.1, trading derivatives are classified in the trading portfolio and, as such, are measured at fair value, recording any changes that may arise in their fair value directly in the consolidated income statement.

The fair value of trading derivatives are classified in Level 2 (Note 3.27) because the valuations are calculated on the basis of observable market inputs. These are mainly caps and floors whose notional value at 31 December 2014 was €3,296,165 thousand (€4,445,788 thousand at 31 December 2013).

At 31 December 2014 and 2013 the fair value of the derivatives assets is €305 and €607 thousand respectively, ascending the fair value of derivatives liabilities to €299 and €58,258 thousand respectively.

The notional values and the fair values of financial derivatives accorded under "Traded Derivatives) at 31 December 2014 and 31 December 2013 are indicated below, in accordance with the various classifications made based on the type of market, type of product, counterparty, remaining term and type of risk:

	Thousands of euros	
By type of market	**2014**	**2013**
Official markets	**-**	**3,050**
Financial futures:	**-**	**3,050**
Purchased	-	-
Sold	-	3,050
Options:	**-**	**-**
Other products:	**-**	**-**
Unofficial markets	**3,296,165**	**4,442,738**
Foreign currency forward transactions:	-	-
Purchased	-	-
Sold	-	-
Purchase of currencies against currencies	-	-
Forward rate agreements (FRA):	-	-
Swaps:	**3,079,315**	**3,500,160**
Options:	**216,850**	**942,578**
Purchased	107,592	138,242
Sold	109,258	804,336
Other products:	**-**	**-**
Total	**3,296,165**	**4,445,788**
By counterparty		
Resident credit institutions	2,859,957	2,817,458
Non-resident credit institutions	-	-
Other resident financial entities	25,623	1,148,041
Other non-resident financial entities	294,872	333,012
Rest of resident sectors	114,313	147,277
Rest of non-resident sectors	1,400	-
Total	**3,296,165**	**4,445,788**
By term to maturity		
Up to 1 year	165,955	58,899
Between 1 and 5 years	525,613	741,307
More than 5 years	2,604,597	3,645,582
Total	**3,296,165**	**4,445,788**
By type of risk		
Exchange rate risk	-	-
Interest rate risk	3,280,926	4,443,634
Share risk	15,239	2,154
Credit risk	-	-
Other risks	-	-
Total	**3,296,165**	**4,445,788**

7.4. Other financial assets at fair value through changes in profit or loss

This heading records the hybrid financial assets that cannot be separated from a primary contract and the embedded derivative, and those assets for which more relevant information is obtained upon eliminating or reducing in coherency in their recognition and measurement, and they are set out in detail in the accompanying balance sheets as follows:

	Thousands of euros	
	2014	**2013**
Loans and advances to credit institutions	-	-
Loans and advances to other debtors	44,800	17,950
Debt securities	1,373	1,186
Equity instruments	-	-
Total	**46,173**	**19,136**

7.4.1. Deposits at credit institutions

At 31 December 2014 and 31 December 2013 there were no balances classified under this balance sheet heading.

7.4.2. Customer Loans

The amount recognised in this heading of the accompanying balance sheet at 31 December 2014 and 2013 as Loans and advances to other debtors includes the amount of the variable price of the sale of Cajamar Vida, S.A (Note 10).

7.4.3. Debt Securities

Details of debt securities classified based on the counterparty are as follows:

	Thousands of euros	
	2014	**2013**
Central banks	-	-
Spanish Public Administrations	-	-
Credit institutions	-	-
Other resident sectors	-	-
Non-resident Public Administrations	-	-
Other non-resident sectors	1,373	1,186
Non-performing assets	-	-
Valuation adjustments	-	-
Total	**1,373**	**1,186**

At 31 December 2014 and at 31 December 2013 no secure transactions carried out with other credit institutions existed.

Movements in the balance under this heading in the accompanying consolidated balance sheets, without taking into consideration impairment adjustments in 2014 and 2013, are as follows:

	Thousands of euros	
	2014	**2013**
Opening balance:	**1,186**	**1,003**
Additions	-	250
Sales, depreciation and amortisation	(114)	(67)
Portfolio adjustment cost	35	-
Valuation adjustments	266	-
Closing balance:	**1,373**	**1,186**

The return on “Debt securities” amounts to €57 thousand at year-end 2014 and 2013 (Note 25).

The fair value of debt securities classified in the portfolio of financial assets at fair value through profit and loss are classified in Level 3 (Note 3.27) as in the measurement of their fair value inputs are used that are not based on observable market data. At 31 December 2014, the nominal value of securities classified in this portfolio amounted to €1,700 thousand (€1,850 thousand at 31 December 2013) with a fair value of €1,373 thousand (€1,186 thousand at 31 December 2013).

Details of the remaining term until maturity of these headings is described in Note 6.6 regarding liquidity risk.

7.4.4. Equity Instruments

At 31 December 2014 and 31 December 2013 there were no balances classified under this balance sheet heading.

Movements in the balance under this heading in the accompanying consolidated balance sheets, without taking into consideration impairment adjustments in 2014 and 2013, are as follows:

	Thousands of euros	
	2014	**2013**
Opening balance:	**-**	**67**
	-	
Additions	-	-
Sales, depreciation and amortisation	-	(67)
Closing balance:	**-**	**-**

7.5. Available-for-sale financial assets

The breakdown of this heading in the accompanying consolidated balance sheet is as follows:

	Thousands of euros	
	2014	**2013**
Debt securities	752,673	3,080,973
Other equity instruments	124,354	127,231
Total	**877,027**	**3,208,204**

The fair value of assets classified in the "Financial assets available for sale" portfolio are classified on three levels: Level 1 refers to all those assets whose valuation prices are obtained from active markets; Level 2 is for assets having prices or valuations based on variables other than those that apply to Level 1 and which are directly or indirectly observable in the market; and Level 3 contains assets whose valuation or valuation price is provided by a third party or calculated internally on the basis of in-house criteria and models (Note 3.27).

a) Debt securities

Details of debt securities classified based on the counterparty are as follows:

	Thousands of euros	
	2014	**2013**
Central banks	-	-
Spanish Public Administrations	629,657	2,759,034
Credit institutions	33,466	150,698
Other resident sectors	78,481	158,339
Non-resident Public Administrations	2,876	2,815
Other non-resident sectors	8,709	10,277
Non-performing assets	-	-
Valuation adjustments		
Impairment assets valuation adjustments (Note 25)	(516)	(190)
Total	**752,673**	**3,080,973**

At 31 December 2014 the balance “Debt securities" totalling, €325,101 thousand were loaned on warranty (€2,430,170 thousand at 31 December 2013), of which €3,506 thousand (€1,724,927 thousand at 31 December 2013), were pledged under a loan agreement that encumber securities and other assets concluded with the Spanish Central Bank (Note 7.8.a) as well as €316,909 thousand (€705,243 thousand at 31 December 2013) corresponded to “Time Deposits”.

The interest accrued in 2014 and 2013 relating to debt securities totalled €72,298 and €167,982 thousand respectively (Note 25).

Movements that have arisen in the balance under this heading of the accompanying consolidated balance sheet in 2014 and 2013 are as follows:

	Thousands of euros	
	2014	2013
Opening balance	**3,080,973**	**1,224,873**
Purchases	17,010,210	15,472,357
Sales, depreciation and amortisation	(19,241,870)	(15,541,938)
Transfers	(65,670)	1,885,534
Portfolio adjustment cost	(1,903)	2,264
Accrued interests	(41,145)	22,595
Adjustments in Equity valuations	12,569	15,436
Hedge adjustments	(163)	-
Asset impairment adjustments	(328)	(148)
Closing balance	**752,673**	**3,080,973**

The most significant movements in 2014 and 2013 relate to the acquisition and subsequent sale of fixed-income securities issued by credit institutions.

Transfers made during 2014 from the "Assets available for sale" portfolio mainly relate to bonds linked to the reserve fund of an asset securitisation fund that has been reclassified to the "Loans and receivables" portfolio (Note 7.6.c).

The transfers to “Available-for-sale financial assets” in 2013 mainly originate from assets that had been classified as held to maturity (Note 7.7).

The profits recorded on the income statement due to the disposal of assets classified in the "Assets available for sale" portfolio at 31 December 2014 amounted to €339,366 thousand (€159,037 thousand at 31 December 2013) (Note 25).

Impairment losses accounted for at year-end 2014 and 2013 for assets under "Financial assets available for sale - debt securities" break down as follows:

	Thousands of euros	
	2014	2013
Provision opening balance	**(190)**	**(277)**
Provisions charged to profit and loss (Note 25)	(512)	(190)
Recovered funds	186	261
Write-offs due to use and other	-	16
Provision closing balance	**(516)**	**(190)**

Details of the remaining term until maturity of this heading is described in Note 6.6 regarding liquidity risk.

b) Equity Instruments

This heading of the accompanying consolidated balance sheets records the financial instruments issued by other entities, such as shares, contributions and participating quotas that are considered to be equity instruments by the issuer, except for those companies in which control is exercised, a stake exceeding 20% is held or, if a lower shareholding is held, significant influence is maintained. This account includes interests in investment funds.

At 31 December 2014 and 31 December 2013 the breakdown of the balance, based on the sector in which the issuer is active, is as follows:

	Thousands of euros	
	2014	2013
From credit institutions	6,623	6,852
From other resident sectors	117,307	119,965
From non-residents	424	414
Total	**124,354**	**127,231**

At the end of the years 2014 and 2013 the account "Equity instruments", breakdown as follows, based on whether or not the shares making up the heading are listed or not, as well as the percentage the stake represents compared with the total:

	2014		2013	
	Thousands of euros	% from total	Thousands of euros	% from total
Quoted:	**23,628**	**19.00%**	**23,560**	**18.52%**
Cost	23,031	18.52%	23,291	18.31%
Equity valuation adjustments	1,098	0.88%	769	0.60%
Impairment adjustments	(501)	(0.40%)	(500)	(0.39%)
Unquoted	**100,726**	**81.00%**	**103,671**	**81.48%**
Cost	136,105	109.45%	141,679	111.36%
Equity valuation adjustments	16,148	12.99%	9,400	7.38%
Impairment adjustments	(51,527)	(41.44%)	(47,408)	(37.26%)
Total	**124,354**	**100.00%**	**127,231**	**100.00%**

In 2014 and 2013 the account "Equity instruments" reflects the following movements, excluding impairment losses and making a distinction between securities that are listed on an organized market and those that are not listed:

	Thousands of euros			
	Quoted		Unquoted	
	2014	2013	2014	2013
Opening balance	**24,060**	**25,515**	**151,079**	**149,801**
Additions	200,815	3,576	3,482	4,137
Disposals	(201,075)	(5,742)	(9,343)	(4,132)
Transfers	-	-	287	(949)
Equity valuation adjustments	329	711	6,748	2,222
Closing balance	**24,129**	**24,060**	**152,253**	**151,079**

The profits recorded on the income statement due to the disposal of assets classified under this heading at 31 December 2014 amounted to €14,156 thousand (€5,338 thousand at 31 December 2013) (Note 25).

Movements in additions in 2014 relating to unlisted securities mainly reflect involvement in the capital increase of Autopista del Sureste, Concesionaria Española de Autopistas, S.A. amounting to €3,307 thousand. The other most significant additions relate to contributions to venture capital funds totalling €167 thousand.

The most significant derecognitions in 2014 relate to the reimbursement of investments in venture capital funds totalling €3,381 thousand. The remaining disposals relate to capital reductions by Espiga Capital Inversión, S.C.R., S.A., Inversión y Gestión de Capital Semilla de Andalucía, S.C.R., S.A. and Inmo Francia1, S.A. amounting to €5,198 thousand, €313 thousand and €123 thousand.

During 2014 the shareholding in Grupo Hispatec Informática Empresarial, S.A. was transferred from long-term investments to financial assets available for sale for €287 thousand, this being its fair value.

The additions to this heading in 2013 corresponded to unlisted securities and mainly reflected the Group’s investment in the equity issued by Sociedad de Gestión de Activos Procedentes de la Reestructuración Bancaria, S.A. (SAREB) in the amount of €3,250 thousand. The other additions of significance correspond to contributions to private equity funds of €800 thousand on aggregate and various acquisitions in companies for a total amount of €62 thousand.

The most significant derecognitions in 2013 corresponded to the redemption of investments in private equity funds totalling €3,240 thousand. The remaining derecognitions relate to the sale of the Group's investment in Arcano Capital BP, F.C.R. for €249 thousand, the liquidation of Ecovida, S.L. for €82 thousand, several dividends from Eolia Renovables de Inversiones, S.C.R., S.A. in the form of capital repayments and in the amount of €270 thousand and the capital decrease carried out by Inmo Francia1, S.A. in the amount of €49 thousand.

The most significant additions for 2013 relating to listed shares included the acquisition in Banco Popular, BBVA, Santander, Liberbank and Caixabank amounting €1,754, €482, €65, €113 and €48 thousand respectively; the vast majority are based on fixed-income securities that were converted into listed shares by the issuer.

The most significant derecognitions for 2013 in unlisted shares relate to divestments in Banco Popular, Telefónica and IAG, totalling €1,807, €507 and €167 thousand, respectively. It is especially significant the disinvestment in Rural Inversión Sindicada, were shares totalling a global amount of €3,261 thousand were sold.

The Group had accounted at cost during 2014 and 2013, assets classified under the heading available-for-sale financial assets for €4,414 and €4,440 thousand; respectively, not being possible to estimate its fair value reliably.

In 2014 the investments classified in the portfolio "Available-for-sale financial assets" that the Entity recognised at cost represented 3.55% of the entire portfolio, (3.49% in 2013).

The yield from "Equity instruments" at 31 December 2014 and 2013 totalled €3,358 and €2,503 thousand, respectively (Note 25).

The breakdown of impairment losses booked at year end in 2014 and 2013 for assets under the “Avaible-for-sale assets – Equity Instruments” caption is as follows:

	Thousands of euros	
	2014	**2013**
Provision opening balance	**(47,908)**	**(36,902)**
Provisions charged to profit and loss (Note 25)	(4,597)	(11,128)
Recovered funds	-	-
Write-offs due to use and other	480	122
Provision closing balance	**(52,025)**	**(47,908)**

Details of the remaining term until maturity of this heading is described in Note 6.6 regarding liquidity risk.

c) Measurement adjustments made to equity

In accordance with the description provided in Note 3.1, the re-measurement of "Available-for-sale financial assets", net of taxes, is recorded under equity in "Measurement adjustments", which therefore records the changes in fair value net of taxes (Note 18).

In addition, as is indicated in Note 2.7, it also records, net of taxes and under "Measurement adjustments" in the section “Entities measured using the equity method", the changes in the measurement adjustments for associated companies, after the date of acquisition”.

At 31 December 2014 and 2013, the details of these variations on the consolidated balance sheets are as follows:

	Thousands of euros	
	2014	**2013**
Debt securities	**10,682**	**1,255**
Capital gains/losses	14,242	1,673
Tax effect (Note 14)	(3,560)	(418)
Other equity instruments:	**12,070**	**7,118**
Capital gains/losses	17,246	10,169
Tax effect (Note 14)	(5,176)	(3,051)
Capital gains/losses on the available-for-sale assets portfolio	**22,752**	**8,373**
Capital gains/losses on entities accounted for by the equity method	**4,269**	**1,402**
Total valuation adjustments	**27,021**	**9,775**

7.6. Loans and receivables

Details of the “Loans and receivables” caption on the consolidated balance sheets are as follows:

	Thousands of euros	
	2014	**2013**
Loans and advances to credit institutions	311,256	483,381
Loans and advances to other debtors	30,147,368	34,047,613
Debt securities	63,438	-
Total	**30,522,062**	**34,530,994**

a) Deposits at credit institutions

Details of assets under "Deposits at credit institutions" caption of the consolidated balance sheets according to the instrument type are as follows:

	Thousands of euros	
	2014	**2013**
Nostro/Vostro accounts	**94**	**323**
Term deposits	**37,988**	**44,066**
Hybrid financial assets:		
Assets purchased under resale agreements	**-**	**-**
Other deposits	**98,424**	**110,877**
Non-performing assets:	**-**	**-**
Other financial assets (checks drawn on credit institutions)	**174,679**	**328,037**
Valuation adjustments:		
Resident institutions	71	78
Non-resident institutions	-	-
Total	**311,256**	**483,381**

Details of the remaining terms until maturity of this heading are described in Note 6.6 regarding liquidity risk.

b) Customer Loans

The breakdown of these headings in the accompanying consolidated balance sheets is indicated below, in accordance with the type and status of the loan, the sector in which the counterparty operates and the type of interest rate:

	Thousands of euros	
	2014	**2013**
By credit type and status:		
Money market operations through counterparties	2,924	3,241,450
Commercial loans	608,099	471,489
Secured loans	20,521,418	21,439,972
Assets purchased under resale agreements	-	-
Hybrid financial assets	-	-
Other term debtors	5,357,719	3,830,218
Lease financing	105,160	101,281
Loans on demand and others	554,943	1,378,231
Non-performing assets	5,852,187	6,321,675
Other financial assets:		
Financial guarantee commissions (Notes 3.6)	*15,865*	*16,312*
Other assets	*62,108*	*60,525*
Valuation adjustments	(2,933,055)	(2,813,540)
Total	**30,147,368**	**34,047,613**
By sector:		
Spanish public administration	968,707	792,481
Other resident sectors	28,987,385	33,048,647
Non-resident public administrations	-	-
Other non-resident sectors	191,276	206,485
Total	**30,147,368**	**34,047,613**
By interest rate type:		
Fixed	2,152,032	2,230,112
Variable	27,995,336	31,817,501
Total	**30,147,368**	**34,047,613**

The heading "Other financial assets - Other financial assets" includes other balances receivable by the Group for transactions that are not classified as loans.

Details of the remaining terms until maturity of this heading are described in Note 6.6 regarding liquidity risk.

Set out below is a breakdown by counterparty of loans and advances to other debtors, together with details of the amount covered by each of the main guarantees and distribution of secured financing on the basis of the percentage of the carrying value of financing over the amount of the latest valuation of the guarantee available:

Year 2014

	Thousands of euros							
				Credit guaranteed with in rem guarantees. Loan to value				
	Total	**Of which: Real state guarantee**	**Of which: Other guarantees**	**Lower or equal to 40%**	**Over 40% and lower or equal to 60%**	**Above 60% and lower or equal to 80%**	**Over 80% or lower or equal to 100%**	**Above 100%**
Public administrations	980,999	-	-	-	-	-	-	-
Other financial institutions	384,461	499	-	66	434	-	-	-
Non-finantial entities and individual entrepreneurs	11,965,612	5,559,476	464,024	1,753,403	1,884,248	1,329,556	612,107	444,185
Construction and Real state	2,304,520	1,512,205	315,460	266,351	418,038	509,651	320,996	312,629
Civil construcctions	45,719	18,198	1,018	7,123	3,569	5,654	2,635	236
Other meanings	9,615,373	4,029,072	147,545	1,479,929	1,462,641	814,252	288,475	131,320
Large companies	780,725	72,784	-	15,089	27,695	4,256	25,744	-
SME's and individual entrepreneurs	8,834,648	3,956,288	147,545	1,464,840	1,434,946	809,995	262,732	131,320
Other homes and ISFLSH	16,944,476	14,618,122	324,301	3,138,196	5,168,260	5,388,849	932,011	315,107
Houses	14,927,690	13,685,074	257,023	2,822,670	4,866,439	5,163,215	832,808	256,965
Consumption	1,156,685	570,386	23,020	213,241	208,076	121,925	35,289	14,875
Other meanings	860,101	362,663	44,258	102,286	93,745	103,709	63,914	43,267
Less: Value adjustments for impairment of assets not attributable to specific operations	(128,180)	-	-	-	-	-	-	-
Total	**30,147,368**	**20,178,097**	**788,325**	**4,891,665**	**7,052,942**	**6,718,405**	**1,544,118**	**759,292**
Pro memo:								
Refinance and restructured operations	6,337,932	4,134,842	560,818	659,100	1,229,153	1,504,679	744,315	558,413

Year 2013

	Thousands of euros							
				Credit guaranteed with in rem guarantees. Loan to value				
	Total	**Of which: Real state guarantee**	**Of which: Other guarantees**	**Lower or equal to 40%**	**Over 40% and lower or equal to 60%**	**Above 60% and lower or equal to 80%**	**Over 80% or lower or equal to 100%**	**Above 100%**
Public administrations	867,352	-	-	-	-	-	-	-
Other financial institutions	3,229,101	-	-	-	-	-	-	-
Non-finantial entities and individual entrepreneurs	10,553,894	5,518,648	502,843	1,596,136	1,874,775	1,477,395	609,108	464,077
Construction and Real state	2,693,734	1,936,880	365,855	276,875	526,538	751,870	386,276	361,176
Civil construcctions	46,862	15,996	996	6,582	3,350	4,019	2,749	291
Other meanings	7,813,297	3,565,772	135,992	1,312,678	1,344,887	721,506	220,083	102,610
Large companies	839,854	55,008	3,000	17,897	9,335	3,821	26,955	-
SME's and individual entrepreneurs	6,973,443	3,510,764	132,992	1,294,781	1,335,552	717,685	193,128	102,610
Other homes and ISFLSH	19,397,266	16,135,775	328,187	3,296,823	5,411,722	6,342,843	1,098,721	313,853
Houses	15,918,886	14,294,657	226,693	2,720,918	4,782,101	5,879,683	911,956	226,693
Consumption	1,930,680	946,503	65,115	306,367	317,479	233,543	102,193	52,036
Other meanings	1,547,700	894,615	36,379	269,538	312,142	229,616	84,572	35,124
Less: Value adjustments for impairment of assets not attributable to specific operations	-	-	-	-	-	-	-	-
Total	**34,047,613**	**21,654,423**	**831,030**	**4,892,959**	**7,286,497**	**7,820,238**	**1,707,829**	**777,930**
Pro memo:								
Refinance and restructured operations	6,899,227	4,659,453	560,821	738,052	1,369,692	1,784,473	770,610	557,446

The total exposure includes customer loans net of the impairment provisions recognised to cover specific transactions.

Impairment charges that are not allocated to specific transactions are recognised in “Impairment losses on assets not allocated to specific transactions”.

b.1.) Measurement adjustments

Details of measurement adjustments made on transactions classified as “Loans and receivables to other debtors” are as follows:

	Thousands of euros	
	2014	2013
Value adjustments:		
Asset impairment adjustments	(2,871,655)	(2,754,745)
Other financial assets value adjustments	(8,984)	(10,071)
Accrued interest	67,241	76,049
Micro-hedging operations	-	-
Assets at fair value	(2,390)	(2,579)
Acquisition premiums/discounts	(21,665)	(21,002)
Fees and commissions	(95,602)	(101,192)
Transaction costs	-	-
Total	**(2,933,055)**	**(2,813,540)**

b.2.) Matured assets not impaired

The classification of outstanding matured assets not impaired by ageing is as follows:

	Thousands of euros			
Year 2014	**Less than one month**	**Between 1 and 2 months**	**Between 2 and 3 months**	**Total**
Unsecured transactions	65,409	11,961	9,702	87,072
Secured transactions on finished housing	5,266	5,532	6,611	17,409
Other secured transactions	3,349	2,547	3,955	9,851
With partially pledged collateral	111	38	113	262
Total	**74,135**	**20,078**	**20,381**	**114,594**

	Thousands of euros			
Year 2013	**Less than one month**	**Between 1 and 2 months**	**Between 2 and 3 months**	**Total**
Unsecured transactions	94,699	14,471	11,569	120,739
Secured transactions on finished housing	5,923	8,413	9,046	23,382
Other secured transactions	15,153	4,487	6,351	25,991
With partially pledged collateral	250	829	61	1,140
Total	**116,025**	**28,200**	**27,027**	**171,252**

b.3.) Impaired assets

The classification of impaired assets pending collection according to age is as follows:

Year 2014	Without fixed term	Up to 6 months	Between 6 and 9 months	Between 9 and 12 months	More than 12 months	Total
	Thousands of euros					
Transactions without risk	30,360	-	-	-	-	30,360
Unsecured transactions	-	165,256	6,016	6,641	233,599	411,512
Transactions with guarantee on finished households first residence	-	285,109	22,005	18,130	978,274	1,303,518
Transactions on land, and other real estate	-	537,871	15,123	16,835	584,806	1,154,635
Transactions with guarantee on finished households	-	735,451	5,495	23,603	905,933	1,670,482
Transactions on land, and other fixed assets	-	616,737	3,291	8,622	650,366	1,279,016
Operations with pledged collateral	2,664	-	-	-	-	2,664
Total	**33,024**	**2,340,424**	**51,930**	**73,831**	**3,352,978**	**5,852,187**

Year 2013	Without fixed term	Up to 6 months	Between 6 and 9 months	Between 9 and 12 months	More than 12 months	Total
	Thousands of euros					
Transactions without risk	27,042	-	-	-	-	27,042
Unsecured transactions	-	284,422	27,488	16,945	204,489	533,344
Transactions with guarantee on finished households first residence	-	269,101	48,293	64,940	895,202	1,277,536
Transactions on land, and other real estate	-	627,687	23,026	24,305	530,037	1,205,055
Transactions with guarantee on finished households	-	863,051	18,607	28,002	820,123	1,729,783
Transactions on land, and other fixed assets	-	695,638	12,984	12,071	825,382	1,546,075
Operations with pledged collateral	2,840	-	-	-	-	2,840
Total	**29,882**	**2,739,899**	**130,398**	**146,263**	**3,275,233**	**6,321,675**

The amount of accumulated accrued financial income on customer loans that are impaired and recognized in the consolidated income statement, before their impairment, totaled €42,506 thousand and €59,409 thousand in 2014 and 2013, respectively.

b.4.) Transfer and disposal of financial assets from the balance sheet (Securitisation and Transformations)

The Cooperative Group has made several transfers of assets (mainly securitizations and transformations of assets) regarding customer loans. They have been accounted for in accordance with the policy described in Note 3.5. At 31 December 2014 and 31 December 2013, the active balance of these transactions was as follows:

	Thousands of euros 2014	2013
Securitisation of assets:		
Balance sheet write-offs:	**342,633**	**394,492**
Mortgage loans granted to securitisation funds	308,595	355,667
Other transfers to credit institutions	34,038	38,825
Held on the balance sheet:	**5,903,083**	**6,904,775**
Mortgage loans granted to securitisation funds	5,903,083	6,904,775
Other transfers to credit institutions	-	-
Total	**6,245,716**	**7,299,267**

The Group has transformed loans into bonds that may be discounted through the assignment of securitization funds that while recorded under the portfolio "Customer loans" allows financing to be obtained by pledging those items. At 31 December 2014, the Group retained €4,252,095 thousand in securitized bonds relating to the above-mentioned transformations of loans and credit lines (€4,924,807 thousand at 31 December 2013) (Note 7.8.c).

Of the aforementioned €4,252,095 thousand in securitisation bonds existing at 31 December 2014 (€4,924,807 thousand at 31 December 2013), €3,001,379 thousand (€3,923,191 thousand at 31 December 2013) were pledged in the loan agreement including the encumbrance of securities and other assets concluded with the Spanish Central Bank, (Note 7.8.a).

Commissions on securitized assets written off the consolidated balance sheet and which relate to all those securitizations prior to 1 January 2004 are recognised in Gains or losses on financial assets and liabilities (net) in the consolidated income statement in 2014 and 2013 in an amount of €3,996 and €6,080 thousand, respectively (Note 25).

The net liability recorded in the balance sheet as a balancing entry for the securitized assets maintained on the balance sheet are classified under "Financial liabilities at amortized cost - Customer deposits" totalling €1,409,524 and €1,773,571 thousand at the end of 2014 and 2013, respectively, under the heading "Shares issued" (Notes 7.8.c).

Of the loan investments recorded in the balance sheet, the Cooperative Group has certain balances that have been pledged basically to the securitizations carried out, the issue of mortgage bonds as well as the transformations carried out, as follows:

	Thousands of euros	
Loans and credit as collateral	**2014**	**2013**
Asset securitisation collateral	6,211,677	7,260,442
Covered bond collateral	5,619,878	8,850,174
Total	**11,831,555**	**16,110,616**

In accordance with the minimum coverage established by legislation governing the issue of mortgage bonds and securities, the loans and credit facilities securing these issues have been calculated by applying 125% to the issues in force at the end of 2014 and 2013, which totaled €3,001,379 and €3,923,191 thousand, respectively (Notes 7.8.c and 7.8.d).

b.5) Impairment losses on customer loans

Details of impairment losses booked at the end of year 2014 and 2013 for assets recorded under loans and receivables are as follows:

Year 2014	Specific Hedges	General Hedges	Country Risk Hedges	Total Hedges
	Thousands of euros			
Balance at 31 December 2013	**2,728,756**	**25,645**	**-**	**2,754,401**
Provisions charged to profit and loss:				
Individually determined	797,115	-	-	797,115
Collectively determined	(9,405)	123,951	-	114,546
Recovery of provisions credited to profit and loss	(415,822)	(21,416)	-	(437,238)
Defaulted loans written off against funds	(314,416)	-	-	(314,416)
Other movements	(42,753)	-	-	(42,753)
Balance at 31 December 2014	**2,743,475**	**128,180**	**-**	**2,871,655**
Of which:				
According to method of determination:				
Individually determined	2,522,874	-	-	2,522,874
Collectively determined	220,601	128,180	-	348,781
According to geographical area of risk location:	-	-	-	-
Spain	2,743,475	128,180	-	2,871,655
Rest of Europe	-	-	-	-

Year 2013	Specific Hedges	General Hedges	Country Risk Hedges	Total Hedges
	Thousands of euros			
Balance at 31 December 2012	**2,708,309**	**60,086**	**-**	**2,768,395**
Provisions charged to profit and loss:				
Individually determined	2,014,248	-	-	2,014,248
Collectively determined	(592,860)	23,562	-	(569,298)
Recovery of provisions credited to profit and loss	(1,149,078)	(58,003)	-	(1,207,081)
Defaulted loans written off against funds	(215,148)	-	-	(215,148)
Other movements	(36,715)	-	-	(36,715)
Balance at 31 December 2013	**2,728,756**	**25,645**	**-**	**2,754,401**
Of which:				
According to method of determination:				
Individually determined	2,498,750	-	-	2,498,750
Collectively determined	230,006	25,645	-	255,651
According to geographical area of risk location:	-	-	-	-
Spain	2,728,756	25,645	-	2,754,401
Rest of Europe	-	-	-	-

The Cooperative Group has classified operations in the sub-prime category, as established in paragraph 7.b of Schedule IX of Spanish Central Bank Circular 4/2004 (22 December) and subsequent amendments. The fund created to hedge sub-prime risk totalled €220,601 thousand on 31 December 2014 (€230,006 thousand at 31 December 2013). During 2014 a recuperation of €9,405 thousand has been made (€43,770 thousand at 31 December 2013).

Details of “Impairment losses on financial assets (net) – Loans and receivables” (Note 25) in the consolidated income statements for the years ended 31 December 2014 and 2013 are as follows:

	Thousands of euros	
	2014	2013
Provision for the year:	**(1,093,411)**	**(1,501,112)**
Specific and general funds	(911,661)	(1,444,950)
Net write-offs of loan losses	(181,750)	(56,162)
Recovery of defaulted loans	**55,849**	**35,432**
Rest of recoveries	**437,238**	**1,207,081**
Total	**(600,324)**	**(258,599)**

Impairment losses in "Other financial assets classified under Loans and receivables" at 31 December 2014 and 2013 break down as follows:

	Thousands of euros	
	2014	2013
Provision opening balance	**(10,071)**	**(678)**
Provisions charged to profit and loss (Note 25)	(1,543)	(9,393)
Recovered funds (Note 25)	2,630	-
Transfers, Write-offs due to use and other movements	-	-
Provision closing balance	**(8,984)**	**(10,071)**

c) Debt securities

Details of debt securities classified based on the counterparty are as follows:

	Thousands of euros	
	2014	2013
Central banks	-	-
Spanish Public Administrations	-	-
Credit institutions	-	-
Other resident sectors	63,976	-
Non-resident Public Administrations	-	-
Other non-resident sectors	-	-
Non-performing assets	-	-
Valuation adjustments		
Impairment assets valuation adjustments (Note 25)	(538)	-
Total	**63,438**	**-**

This account includes financial assets that are not traded in an active market and are not required to be measured at fair value, whose cash flows are of a determined or determinable amount, and in which the entire disbursement made by the Group will be recovered, excluding reasons imputable to the debtor’s solvency. At 31 December 2014 assets classified under this balance sheet heading relate to various reserve funds linked to an asset securitisation fund transferred to the "Assets available for sale" portfolio (Note 7.5.a).

At 31 December 2014 no amounts had been given as security or pledged under the credit agreement backed by securities and other assets concluded with the Spanish Central Bank.

The return on “Debt Securities” amounts to €391 thousands at year-end 2014 (Note 25).

Movements that have arisen in the balance under this heading of the accompanying consolidated balance sheet in 2014 and 2013 are as follows:

	Thousands of euros	
	2014	2013
Opening balance	**-**	**-**
Purchases	-	-
Transfers (Note 7.5.a)	65,670	-
Sales, depreciation and amortisation	(1,712)	-
Accrued interests	18	-
Asset impairment adjustments	(538)	-
Closing balance	**63,438**	**-**

Transfers made during 2014 to this portfolio from the "Assets available for sale" portfolio relate to bonds linked to the reserve fund of an asset securitisation fund (Note 7.5.a).

The breakdown of impairment losses booked at year end in 2014 and 2013 for assets under the “Loans and receivables – Debt securities” caption is as follows:

	Thousands of euros	
	2014	2013
Provision opening balance	**-**	**-**
Provisions charged to profit and loss (Note 25)	(538)	-
Recovered funds	-	-
Write-offs due to use and other	-	-
Provision closing balance	**(538)**	**-**

Details of the remaining terms until maturity of this heading are described in Note 6.6 regarding liquidity risk.

7.7. Held-to-maturity investment portfolio

Details of the “Held-to-maturity investment portfolio” caption on the consolidated balance sheets are as follows:

	Thousands of euros	
	2014	2013
Debt instruments	15,390	38,741
Total	**15,390**	**38,741**

Among the assets recorded in the "Held to maturity" portfolio, those with valuation prices that are obtained from active markets are classified in Level 1 and those with prices or valuations based on variables other than those that apply for Level 1 and which are directly or indirectly observable in the market are classified in Level 2 (Note 3.27).

The debt securities classified based on their counterparty are detailed as follows:

	Thousands of euros	
	2014	**2013**
Central Banks	-	-
Spanish Public Administrations	13,285	33,680
Credit Entities	1,699	3,146
Other resident sectors	409	1,091
Non-Resident Public Administrations	-	-
Other Non-Resident sectors	-	832
Doubtful Assets	-	-
Valuation adjustments		
Impairment value corrections	(3)	(8)
Total	**15,390**	**38,741**

The balance of the account "Debt securities" classified in the investment portfolio held to maturity mainly derives from the acquisition of certain securitization bonds and corporate bonds.

The interest accrued in 2014 and 2013 relating to debt securities totalled €1,084 and €21,243 thousand respectively (Note 25).

At 31 December 2014 none of the balances included in “Debt securities” had been pledged as collateral (€19,039 thousand at 31 December 2013) neither under security loans and other secured loan agreements with the Spanish Central Bank.

Variations in the balance of this caption on the accompanying consolidated sheets during 2014 and 2013 are as follows:

	Thousands of euros	
	2014	**2013**
Initial balance	**38,741**	**1,971,969**
Purchase	-	43,400
Sales and depreciation	(23,340)	(73,687)
Transfers	-	(1,878,683)
Accrual interest	(330)	(37,912)
Portfolio value correction	314	13,421
Value impairment corrections (Note 25)	5	233
Closing balance	**15,390**	**38,741**

The amounts transferred from the "Held to maturity investments” portfolio in 2013 were reclassified in their entirety to “Available-for-sale financial assets” (Note 7.5.a).

Set out below is a breakdown of impairment losses recognized at 31 December 2014 and 2013 on assets in the item "Held-to-maturity investments – Debt securities":

	Thousands of euros	
	2014	**2013**
Provision initial balance	**(8)**	**(241)**
Provisions charged to profit and loss	-	-
Recovered funds	5	233
Write-offs due to use and other	-	-
Provision closing balance	**(3)**	**(8)**

Details of the remaining terms until maturity of this heading are described in Note 6.6 regarding liquidity risk.

7.8. *Financial liabilities at amortized cost*

Details of this liabilities caption on the accompanying consolidated balance sheets at 31 December 2014 and 2013 are as follows:

	Thousands of euros	
	2014	**2013**
Deposits from central banks	1,402,509	4,665,282
Deposits from credit institutions	1,194,023	2,521,800
Deposits from other creditors	28,305,110	29,106,828
Debt securities	1,260,057	2,018,996
Subordinated liabilities	132,937	127,019
Other financial liabilities	389,439	357,714
Total	**32,684,075**	**38,797,639**

Details of the remaining terms until maturity of this heading are described in Note 6.6 regarding liquidity risk.

a) *Deposits at central banks*

The balances under this heading on the accompanying consolidated balance sheets at 31 December 2014 and 2013 are comprised as follows:

	Thousands of euros	
	2014	**2013**
Spanish Central Bank	**1,402,440**	**4,600,000**
Other Central Banks	**-**	**-**
Value adjustments:		
Accrued interest	69	65,282
Micro-hedging operations	-	-
Rest	-	-
Total	**1,402,509**	**4,665,282**

The balance recorded under the account "Spanish Central Bank" at 31 December 2014, in accordance with the loan agreement including the pledge of securities and other assets concluded with the Spanish Central Bank in accordance with the mechanisms that govern the monetary policy for the Eurosystem and which involve pledged assets totalling €5,079,885 thousand (€7,411,995 thousand at 31 December 2013), (Notes 7.5.a, 7.6.b.4, 7.7 and 7.8.d).

b) Deposits at credit entities

Details of this caption under "Financial liabilities at amortized cost" in the liabilities section on the consolidated balance sheets according to instrument type are as follows:

	Thousands of euros	
	2014	**2013**
Mutual accounts	**232**	**280**
Term deposits	**727,802**	**2,011,737**
Shares issued	**-**	**-**
Other financial liabilities associated with transferred financial assets	**-**	**-**
Hybrid financial liabilities:	**-**	**-**
Assets sold under repurchase agreements	**-**	**53,365**
Other	**460,984**	**434,123**
Valuation adjustments:	**5,005**	**22,295**
Accrued interest:		
Resident institutions	4,969	22,295
Non-resident institutions	36	-
Total	**1,194,023**	**2,521,800**

c) *Customer deposits*

Details of this caption under “Financial liabilities at amortised cost” in the liabilities section in the accompanying consolidated balance sheets, taking into consideration the counterparty and type of financial instrument, are as follows:

	Thousands of euros	
	2014	**2013**
Mortgage market operations through counterparties	**248,354**	**652,258**
Spanish public administrations	**1,000,425**	**1,047,666**
Other resident sectors:	**26,795,176**	**27,153,471**
Demand deposits:	**10,428,653**	**9,447,856**
Current accounts	4,068,701	3,489,767
Savings accounts	6,316,638	5,930,670
Electronic funds	2,779	2,165
Other demand deposits	40,535	25,254
Term deposits:	**16,190,951**	**17,539,638**
Fixed-term deposits	14,571,292	15,298,487
Home buyer's savings accounts	7,312	11,457
Discounted deposits	-	-
Shares issued (Note 7.6.b.4.)	1,409,524	1,773,571
Received Cash	*5,675,867*	*6,732,228*
Debt Security (-) (Note 7.6.b.4)	*(4,252,095)*	*(4,924,807)*
Rest	*(14,248)*	*(33,850)*
Other financial liabilities with transferred financial assets	-	-
Hybrid financial liabilities	199,080	447,824
Other term deposits	3,743	8,299
Deposits redeamable at notice	**69,476**	**-**
Assets sold under repurchase agreements	**-**	**-**
Valuation adjustments	**106,095**	**165,977**
Non-resident public administrations	**-**	**19**
Other non-resident sector	**261,154**	**253,414**
Total	**28,305,110**	**29,106,828**

At 31 December 2014, the balance included under “Money market operations through counterparties” does not include securities borrowed from the available-for-sale portfolio of fixed income securities and at year-end 2013; fixed-income securities borrowed from the available-for-sale portfolio included an amount of €651,876 thousand (Notes 7.5.a and 7.8.a).

At 31 December 2014, the balance in repo agreements amounted to €71,165 thousand, of which €1,189 thousand was recorded under "Public administrations" derived from fixed income assets acquired under repo agreements title and €69,476 thousand was classified in "Other resident sectors" transferred from the "Fixed-income securities available for sale" portfolio.

The balance recognised in the account "Term deposits" at 31 December 2014 and 31 December 2013, includes various mortgage bond issues made in accordance with the provisions of Law 2/1981 (25 March), on Mortgage Market Regulations.

No gains have been obtained on the buybacks of securitised bonds classified in “Shares issued” in 2014 (€19,729 thousand in 2013).

The breakdown of the Mortgage Bond issues made that have yet to mature is as follows:

Date		Thousands of euros				Hedge	
Issue	Maturity	Cash	Rating	Agency	Interest rate	Nominal	Thousands of euros
11/03/2005	11/03/2015	200,000	A3 / A+	Moodys / Standar & Poor´s	3.76%	E12 +0,1115%	200,000
02/12/2005	02/12/2015	500,000	Baa2 / BBB	Moodys / Standar & Poor´s	3.51%	E12 + 0,1221%	500,000
25/05/2006	08/04/2016	300,000	A / A3 / BBB+	Fitch / Moodys /Standar & Poor´s	Euribor 3 months + 0,06%	-	-
09/06/2006	09/06/2016	500,000	BB+ / Baa1	Fitch / Moodys	4.26%	E12 + 0,129%	500,000
	Total Issues	**1,500,000**					

d) Payables represented by negotiable securities

The details of this caption on the accompanying consolidated balance sheets, taking into consideration the type of financial liability, are as follows:

	Thousands of euros	
	2014	**2013**
Promissory notes and bills	-	-
Mortgage securities	2,995,903	5,079,413
Other non-convertible securities	325,000	544,978
Treasury shares	(2,075,000)	(3,643,950)
Valuation adjustments	14,154	38,555
Total	**1,260,057**	**2,018,996**

The movement of each type of financial liability during 2014 and 2013, without taking into account valuation adjustments, is as follows:

	Thousands of euros 2014				
	Inicial Balance	Issues	Repurchases or redemptions	Exchange rate differences and other	**Closing balance**
Debt securities issued in an EU Member State that require an information prospectus to be registered.	**1,980,462**	-	(734,559)	-	**1,245,903**
Those of which:					
Promissory notes and bills	-	-	-	-	-
Mortgage securities	1,980,462	-	(734,559)	-	1,245,903
Other non-convertible securities	-	-	-	-	-

	Thousands of euros 2013				
	Inicial Balance	Issues	Repurchases or redemptions	Exchange rate differences and other	**Closing balance**
Debt securities issued in an EU Member State that require an information prospectus to be registered.	**1,538,897**	1,465,830	(1,024,265)	-	**1,980,462**
Those of which:					
Promissory notes and bills	429,287	-	(429,287)	-	-
Mortgage securities	734,610	1,245,852	-	-	1,980,462
Other non-convertible securities	375,000	219,978	(594,978)	-	-

No promissory notes were issued in 2014. “Promissory notes and bills” at year-end 2013 corresponded to issues under the umbrella of a promissory note issuance programme for up to €500,000 thousand (with scope for extension to €1,000,000 thousand). The average interest rate was 3.75%.

No mortgage-backed bond issue has been concluded in 2014. In 2013, the Group concluded two mortgage-backed bond issues, one raising €498,650 thousand and the other raising €747,278 thousand.

The details of the issues made and pending maturity under “Mortgage securities” at 31 December 2014 are as follows (Note7.5.b.4):

Date		Thousands of euros				
Issue	Maturity	Cash	Own stock	Rating	Agency	Interest rate
25/10/2011	25/10/2021	500,000	(500,000)	BBB+ / AH / Ba2 / BBB-	Fitch / DBRS /Moodys /Standar & Poor´s	5.50%
22/11/2013	22/11/2018	747,278		BBB+ / AH / BBB-	Fitch / DBRS / Standar & Poor´s	3.38%
03/07/2012	03/07/2017	749,975	(750,000)	BBB+ / AH / Ba2 / BBB-	Fitch / DBRS /Moodys /Standar & Poor´s	5.50%
20/12/2011	20/12/2016	500,000	(500,000)	BBB+ / AH / Ba2 / BBB-	Fitch / DBRS /Moodys /Standar & Poor´s	5.00%
16/05/2013	16/05/2016	498,650		BBB+ / AH / Ba2 / BBB-	Fitch / DBRS /Moodys /Standar & Poor´s	3.75%
	Total issues	**2,995,903**	**(1,750,000)**			

Mortgage bond repurchases are intended to increase the volume of discountable securities that the Group holds in its portfolio, which may be deployed in the context of the implementation of European monetary policy.

At 31 December 2014, the balance of €325,000 thousand (€3,646,300 thousand at 31 December 2013) “Mortgage-backed securities” was pledged as collateral under the credit agreement with the Spanish Central Bank containing a pledge on securities and other assets (Note 7.8.a).

The balance of “Other non-convertible securities” corresponds to different simple debt offerings, broken down as follows:

Date		Thousands of euros				
Issue	Maturity	Cash	Own stock	Rating	Agency	Interest rate
14/02/2012	14/02/2017	325,000	(325,000)	BBB	FITCH	5.00%
	Total issues	**325,000**	**(325,000)**			

All of the issues were accepted for trading on the AIAF Fixed Income Market.

The Group did not generate any gains on the various buybacks of “Mortgage securities” or “Other non-convertible securities” in 2014 and 2013.

The interest accrued on debt securities in 2014 amounted to €71,654 thousand (€52,165 thousand in 2013) (Note 25); this interest is included within “Interest and similar income" in the accompanying income statement.

e) Subordinated liabilitites

This account, which is included under the heading "Financial liabilities at amortized cost" records the amount of financing received, regardless of the manner in which it is instrumented, and which, for the purposes of credit priority, is behind common creditors in accordance with the provisions of Law 13/1985 (25 May) and Royal Decree 1370/1985 (1 August).

Details on the accompanying consolidated balance sheet, by type of financial liability and counterparty, are as follows:

	Thousands of euros	
	2014	2013
Subordinated debt certificates including bonds:	**120,592**	**120,592**
Convertible	-	-
Non-convertible	120,592	120,592
Subordinated deposits	-	-
Valuation adjustments	**12,345**	**6,427**
Total	**132,937**	**127,019**

The balance of “Other non-convertible securities” corresponds to different simple debt offerings, broken down as follows:

Date		Thousands of euros						
Issue	Maturity	Nominal	Cash	Own stock	Rating	Agency	Interest rate	Issue
16/03/2005	16/03/2015	300,000	299,286	(250,100)	B+	FITCH	E3+0,80%	Obligaciones subordinadas Cajamar 2005
22/11/2005	23/11/2015	100,000	83,006	(11,600)	-	-	E3+0,90%	Obligaciones subordinadas Ruralcaja emisión 05
	Total issues	**400,000**	**382,292**	**(261,700)**				

The prospectus of the issue “Obligaciones Subordinadas Cajamar 2005”, was prepared in accordance with National Stock Market Commission Circular 2/1999 was registered with this commission on 3 March 2005.

All issues have been classed as Tier 2 Capital as provided in Rule 62 of Regulation (UE) 575/2013 on prudential requirements for credit institutions.

The movement during 2014 and 2013; is as follows:

	Thousands of euros	
	2014	2013
Opening balance	**120,592**	**139,494**
Additions	-	-
Disposals	-	(18,902)
Incorporation to Grupo Cooperativo	-	-
Value adjustments for business combinations (Notes 1.5 and 4)	-	-
Closing balance	**120,592**	**120,592**

In 2014 and 2013 no new issues took place.

Interest accrued during 2014 and 2013 year on these subordinated bonds totalled €7,475 and €7,039 thousand, respectively (Note 25) and they are included under the heading “Interest and similar charges” in the accompanying consolidated income statement.

f) Other financial liabilities

All of the financial liabilities recorded in this account in the accompanying consolidated balance sheet are classified into the “Financial liabilities at amortized cost" portfolio and therefore they are recognised at amortized cost Includes the amount of bonds payable that take the form of financial liabilities not included under other headings.

Details of other financial liabilities grouped by financial instrument type are as follows:

	Thousands of euros	
	2014	**2013**
Bonds payable	49,555	58,050
Deposits received	56,122	108,059
Clearing house	91,685	13,491
Collection accounts	80,573	68,981
Special accounts	21,091	16,289
Financial guarantees (Notes 3.6 and 9)	16,726	16,362
Other	73,687	76,482
Total	**389,439**	**357,714**

8. Asset and liability hedging derivatives

This caption in the accompanying consolidated balance sheets records the hedging instruments carried at fair value in accordance with the explanation provided in Note 3.4.

At 31 December 2014 and 31 December 2013, the fair value of asset derivatives totalled €61,045 and €127,043 thousand, respectively, and the fair value of liability derivatives totalled €3,852 and €7,251 thousand, respectively.

The contracted derivatives and the hedged items were as follows:

- Interest Rate Swap, hedging customer deposits bearing fixed interest rates.
- Equity Swap, hedging customer deposits that bear interest based on a reference to several stock market indexes.
- Embedded derivatives segregated from the primary contract, designated as hedging instruments for "Customer Deposits" in accounting hedges.

The measurement methods used to determine the fair value of derivatives have been the discounted cash flow method to measure interest rate derivatives and the Montecarlo technical simulation method to measure structured products with an optional component.

The fair value of hedging derivatives is classified in Level 2 because the valuations are calculated on the basis of observable market inputs (Note 3.27).

The notional values of financial derivatives recorded as "Hedging derivatives" at 31 December 2014 and 2013 are set out below by counterparty, remaining term and type of risk:

	Thousands of euros	
	2014	2013
By counterparty		
Resident credit institutions	160,813	839,107
Non-resident credit institutions	1,228,417	1,803,986
Other resident financial institutions	17,916	74,313
Other non-resident financial institutions	-	7,750
Rest of resident sectors	-	-
Rest of non-resident sectors	-	-
Total	**1,407,146**	**2,725,156**
By term to maturity		
Up to 1 year	799,947	1,415,453
More that 1 year and up to 5 years	607,200	1,309,703
More than 5 years	-	-
Total	**1,407,147**	**2,725,156**
By type of hedged risk		
Exchange rate risk	-	-
Interest rate risk	1,200,000	2,268,700
Share risk	207,147	456,456
Credit risk	-	-
Other risks	-	-
Total	**1,407,147**	**2,725,156**

9. Non-current assets for sale and associated liabilities

The details of this caption on the accompanying consolidated balance sheets at 31 December 2014 and 2013 are as follows:

Non-current assets held for sale and associated liabilities

	Thousands of euros	
	2014	2013
Tangible assets for own use	91,646	84,774
Investment properties	15,829	6,280
Other assets leased out under an operating lease	-	-
Assets awarded in foreclosure	403,131	354,523
Asset impairment adjustment (Note 25)	(68,297)	(51,129)
Investment	-	-
Total	**442,309**	**394,448**

Details of non-current assets held for sale classified by use, without taking into account impairment adjustments, are as follows:

	Thousands of euros					
	Residential		Industrial		Agricultural	
Tangible assets	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Tangible assets for own use	7,046	9,888	83,002	73,288	1,599	1,598
Foreclosed	329,578	282,253	66,135	65,636	7,418	6,634
Investment properties	14,176	6,280	1,653	-	-	-
Total	**350,800**	**298,421**	**150,790**	**138,924**	**9,017**	**8,232**

The average sale period for foreclosed assets obtained as payment of debt is two years.

The fair value of the tangible assets recorded in this caption at 31 December 2014 and 2013, matches the book value.

Details of movement recorded in these captions on the consolidated balance sheet, without taking into account impairment losses, during 2014 and 2013, are as follows:

	Thousands of euros		
Cost	**Tangible assets For own use**	**Foreclosed**	**Investments**
Balance at 31 December 2012	**41,796**	**432,149**	**5,329**
Additions	3,411	95,985	548
Disposals	(2,422)	(34,516)	(712)
Transfers (Notes 12 and 15)	41,989	(139,095)	2,725
Balance at 31 December 2013	**84,774**	**354,523**	**7,890**
Additions	-	109,377	249
Disposals	(3,804)	(46,040)	(524)
Transfers (Notes 12 and 15)	10,676	(14,727)	10,758
Balance at 31 December 2014	**91,646**	**403,132**	**18,372**
Accumulated depreciation			
Balance at 31 December 2012	**-**	**-**	**(144)**
Additions	-	-	-
Disposals	-	-	21
Transfers (Notes 12 and 15)	-	-	(1,487)
Balance at 31 December 2013	**-**	**-**	**(1,610)**
Additions	-	-	-
Disposals	-	-	7
Transfers (Notes 12 and 15)	-	-	(939)
Balance at 31 December 2014	**-**	**-**	**(2,542)**

In 2014 the Group transferred certain assets for its own use and investment properties, mainly commercial premises, to this heading for a net amount of €21,434 thousand (€44,714 thousand in 2013) and the carrying value is expected to be recovered upon disposal.

Transfers for €14,727 thousand to foreclosing assets belong mainly to the reclassification of property investments in 2014, similarly in 2013 transfers by €139,095 thousand belong mainly to the reclassification of assets from real estate investments.

At 31 December 2014 eliminations from sales total €46,041 thousand in foreclosed assets and €3,804 thousand in tangible assets for own use (€34,967 thousand and €2,422 thousand, respectively at 31 December 2013).

In 2014 loans have been granted to finance the sale of property, plant and equipment foreclosed by the Group totalling €34,301 thousand (€20,156 thousand in 2013). The average percentage financed compared with the total amount of foreclosed assets sold at 31 December 2014 was 60.98% (51.64% for the year 2013). There are gains pending recognition on the sale of these assets at 31 December 2014 and 31 December 2013 totalling €150 thousand.

Impairment losses recognized associated with Non-current assets for sale are as follows:

	Thousands of euros		
Imapairment losses	**Tangible assets For own use**	**Foreclosed**	**Investments**
Balance at 31 December 2012	**(920)**	**(85,678)**	**-**
Additions (Note 25)	(49)	(21,294)	-
Disposals (Note 25)	-	6,459	130
Other movements, transfers or uses	(289)	50,848	(336)
Balance at 31 December 2013	**(1,258)**	**(49,665)**	**(206)**
Additions (Note 25)	(2,722)	(21,003)	(988)
Disposals (Note 25)	-	1,253	-
Other movements, transfers or uses	169	7,279	(1,157)
Balance at 31 December 2014	**(3,811)**	**(62,135)**	**(2,351)**

10. Investments

This caption from the accompanying consolidated balance sheets corresponds to the value of shareholdings in associates whose details, together with important information at 31 December 2014 and 2013 are included in Appendix I.

	Thousands of euros	
	2014	**2013**
Investments		
Associates	62,887	54,633
Jointly controlled entities	-	-
Total	**62,887**	**54,633**

At year-end 2014 and 2013, the "Investments" caption reflected the value of investments accounted for by the equity method and had the following movements:

	Thousands of euros	
	2014	**2013**
Opening balance	**54,633**	**61,734**
Additions through transfers, purchases and capital increases	922	105
Sales of shareholdings and return of contributions	(10,074)	(17,370)
Result from the equity method	14,332	9,386
Measurement adjustment to equity (Note 19)	2,866	-
Other consolidation activity	208	778
Closing balance	**62,887**	**54,633**

Details of investments at 31 December 2014 and al 31 December de 2013 is as follows:

	Thousands of euros	
	2014	**2013**
Cajamar Vida, S.A. de seguros y reaseguros	33,732	28,122
Agrocolor, S.L	557	496
Parque de Innovación y Tecnológico de Almería, S.A.	3,997	3,541
Murcia Emprende, S.C.R, S.A.	1,161	1,353
Sabinal Agroservicios, S.L.	24	24
Biocolor, S.L.	248	279
Proyecta Ingenio, S.L.	59	20
Cajamar Seguros Generales, S.A	5,493	4,000
Apartamentos Media Luna	17,511	16,692
Hábitat Utiel, S.L.	-	1
Renovables la Unión, S.C.P.	105	105
Total	**62,887**	**54,633**

Additions in 2014 relate to the capital increase carried out by Parque de Innovación y Tecnológico de Almería, S.A.

The additions in 2013 corresponded to the first-time consolidation of Renovables la Unión, S.C.P. in the amount of €104 thousand and the incorporation of Habitat Utiel, S.L. in the amount of €1 thousand, both of which due to transfers from the portfolio of available-for-sale assets.

In 2004, 50% of the share capital of Cajamar Vida, S.A. de Seguros y Reaseguros, was sold to Generali España, Holding de Entidades de Seguros, S.A. and the Entity kept the remaining 50% of the shares. In accordance with the share purchase agreement, which will end in 15 years. The overall price consists of a fixed price of 9,508 thousand Euros that was collected in 2004 and a variable price that will be calculated based on the value of the business and the net value of the assets in 2019.

On 14 April 2011, an amending novation agreement was concluded, guaranteeing an additional initial price of 94 million Euros, of which 50 million Euros was collected at the signing date and the remainder will be collected in years three, five and seven of the agreement. The variable payment calculation was also modified and will be determined based on the appraisal value of Cajamar Vida, S.A. de Seguros y Reaseguros, to be calculated as stated in the agreement; payment will fall due at the end of year fifteen as from the novation date, provided the business reaches a certain minimum value. In 2014 €18.8 million were collected as the first remainder payment and their interests accrued.

The novation agreement includes cross options, a purchase option for the Entity on the shares sold and a sale option on these shares for Generali España, *Holding de Entidades de Seguros, S.A.*

The results obtained due to the value change were recognised in “Gains or losses on financial assets and liabilities (net)", segregating the financial yield. In 2014, value changes, recognised in respect of the variable price since the date of novation, amounts to €25,436 thousand (€16,589 thousand in 2013). This profit has been recorded having into account the need of truthworthyness and contrast of the calculations made.

The results in "Shareholdings" in entities measured using the equity method at 31 December 2014 and 2013 totalled €14,332 and €9,386 thousand, respectively (Note 25).

The heading "Loans and receivable - Measurement adjustments" at 31 December 2014 and 2013 includes €779 thousand for the profits obtained on the sale of shares pending recognition, deriving from the financing of the aforementioned sale transactions.

11. Tangible assets

Details of this caption on the consolidated balance sheets at 31 December 2014 and 2013 are as follows:

	Thousands of euros	
	2014	**2013**
Own use	697,037	708,259
Investment properties	232,153	234,398
Other assets leased out under an operating lease	-	-
Assigned to the Education and Development Fund (Note 16)	4,292	8,121
Impairment adjustments	(57,305)	(63,019)
Total	**876,177**	**887,759**

The breakdown of tangible assets for own use recorded under this caption on the consolidated balance sheet and the movements during 2014 and 2013, in this caption, are as follows:

	Thousands of euros					
For own use	**IT equipment**	**Furniture, Fixtures and Other**	**Buildings**	**Buildings under construction**	**Other**	**TOTAL**
Cost						
Balance at 31 December 2012	**177,849**	**428,351**	**634,887**	**49,980**	**13,382**	**1,304,449**
Additions	7,005	14,548	8,095	6,601	65	36,314
Disposals	(1,880)	(17,055)	(5,236)	(413)	(135)	(24,719)
Transfers	108	9,014	(43,857)	(18,060)	8,375	(44,420)
Balance at 31 December 2013	**183,082**	**434,858**	**593,889**	**38,108**	**21,687**	**1,271,624**
Additions	5,197	16,097	2,681	31,400	99	55,474
Disposals	(20,185)	(16,269)	(11,289)	(8)	(120)	(47,871)
Transfers	122	1,515	(8,106)	(11,310)	1,906	(15,874)
Balance at 31 December 2014	**168,216**	**436,201**	**577,175**	**58,190**	**23,572**	**1,263,353**
Accumulated Depreciation						
Balance at 31 December 2012	**(149,534)**	**(311,894)**	**(77,088)**	**-**	**(1,473)**	**(539,989)**
Additions	(9,669)	(26,331)	(8,048)	-	(207)	(44,255)
Disposals	1,813	14,458	3,881	-	152	20,304
Transfers	(98)	(2,904)	3,657	-	(80)	575
Balance at 31 December 2013	**(157,488)**	**(326,671)**	**(77,598)**	**-**	**(1,608)**	**(563,365)**
Additions	(8,795)	(23,133)	(7,743)	-	(276)	(39,946)
Disposals	19,322	15,731	3,459	-	110	38,622
Transfers	(88)	(896)	(584)	-	(60)	(1,627)
Balance at 31 December 2014	**(147,049)**	**(334,968)**	**(82,465)**	**-**	**(1,834)**	**(566,316)**

	Thousands of euros					
For own use	**IT equipment**	**Furniture, Fixtures and Other**	**Buildings**	**Buildings under construction**	**Other**	**TOTAL**
Imapairment losses						
Balance at 31 December 2012	**-**	**-**	**(1,250)**	**-**	**-**	**(1,250)**
Additions	-	-	(775)	-	-	(775)
Disposals	-	-	974	-	-	974
Other movements, transfers or uses	-	-	50	-	-	50
Balance at 31 December 2013	**-**	**-**	**(1,001)**	**-**	**-**	**(1,001)**
Additions	-	-	-	-	-	-
Disposals	-	-	775	-	-	775
Other movements, transfers or uses	-	-	-	-	-	-
Balance at 31 December 2014	**-**	**-**	**(226)**	**-**	**-**	**(226)**

The breakdown of investment properties, operating leases and assets assigned to the Education and Development Fund recorded under this caption on the consolidated balance sheet and the movements during 2014 and 2013, in this caption, are as follows:

	Thousands of euros			
	Investment properties		Assigned to the Education and Development Fund	
	Buildings	Properties, plots and sites	Furniture and Fixture	Property
Cost				
Balance at 31 December de 2012	**132,695**	**27,149**	**5,870**	**12,028**
Additions	28,235	2,946	15	4
Disposals	(3,967)	(636)	(78)	(271)
Transfers	87,736	(28,008)	-	-
Balance at 31 December de 2013	**244,699**	**1,451**	**5,807**	**11,761**
Additions	14,842	-	3	11
Disposals	(33,855)	(469)	(424)	(1,077)
Transfers	20,475	(268)	(1,049)	(3,409)
Balance at 31 December de 2014	**246,161**	**714**	**4,337**	**7,286**
Accumulated Depreciation				
Balance at 31 December de 2012	**(9,298)**	**(268)**	**(5,090)**	**(4,149)**
Additions	(3,101)	-	(141)	(214)
Disposals	4	-	72	75
Transfers	912	-	-	-
Balance at 31 December de 2013	**(11,483)**	**(268)**	**(5,159)**	**(4,288)**
Additions	(3,238)	-	(102)	(161)
Disposals	-	-	358	302
Transfers	-	268	981	738
Balance at 31 December de 2014	**(14,721)**	**-**	**(3,922)**	**(3,409)**

	Thousands of euros			
	Investment properties		Assigned to the Education and Development Fund	
	Buildings	Properties, plots and sites	Furniture and Fixture	Property
Impairment losses				
Balance at 31 December de 2012	**(14,932)**	**(36)**	**-**	**-**
Additions (Note 25)	(4,662)	-	-	-
Disposals (Note 25)	2,401	-	-	-
Transfers	(44,825)	36	-	-
Balance at 31 December de 2013	**(62,018)**	**-**	**-**	**-**
Additions (Note 25)	(6,439)	-	-	-
Disposals (Note 25)	3,926	-	-	-
Transfers	7,453	-	-	-
Balance at 31 December de 2014	**(57,078)**	**-**	**-**	**-**

In 2014 sales and write-offs of certain property, plant and equipment generated gains totalling €1,162 thousand (€633 thousand at 31 December 2013) and losses totalling €4,541 thousand (€5,662 thousand at 31 December 2013) (Note 25).

At 31 December 2014 and 31 December 2013 the Group had yet to recognize €9,638 thousand from the financing of sale transactions originating in 2006 for the sale of certain assets classified as property investments and €125 thousand for the sale of properties for own use carried out in 2010.

At 31 December 2014 the Group has commitments to acquired assets totalling €1,306 thousand (€1,384 thousand at 31 December 2013).

Fully depreciated assets still in use by the Group at 31 December 2014 totalled €300,085 thousand (€335,449 thousand at 31 December 2013).

The fair value of property for own use and investment properties matches book value.

Rental income from investment properties amounted to €6,060 thousand in 2014 (€3,547 thousand in 2013) (Note 25). Expenses recognised in connection with these investments amounted to €270 thousand in 2014, whereas no operating expenses were recognized in 2013 (Note 25).

12. Intangible Assets

Details of this caption on the accompanying consolidated balance sheets at 31 December 2014 and 2013 are as follows:

	Thousands of euros		
	Estimated useful life	**2014**	**2013**
With indefinite useful life	-	**122,390**	**122,390**
With finite useful life:	-	**337,943**	**338,139**
Computer applications	3 - 10 years	111,076	111,272
Administrative concessions	35 years	18,406	18,406
Other intangible assets	3 - 10 years	208,461	208,461
Gross total		**460,333**	**460,529**
Of which:			
Developed in-house	3 - 10 years	-	4,853
Other	3 - 35 years	460,333	455,676
Accumulated depreciation	-	(142,846)	(117,976)
Impairment losses	-	(6,473)	(6,495)
Net total		**311,014**	**336,058**

The movement of the intangible assets with a finite useful life included in this caption on the consolidated balance sheet throughout the years 2014 and 2013 has been as follows:

	Thousands of euros	
	2014	**2013**
Cost		
Opening balance	**338,139**	**331,942**
Additions	12,234	10,364
Disposals	(12,430)	(4,167)
Ending Balance	**337,943**	**338,139**
Depreciation and amortisation		
Opening balance	**(117,976)**	**(88,019)**
Additions	(34,670)	(29,957)
Disposals	9,800	-
Ending Balance	**(142,846)**	**(117,976)**
Impairment		
Opening balance	**(6,495)**	**(5,999)**
Additions	(474)	(496)
Disposals	496	-
Other	-	-
Ending Balance	**(6,473)**	**(6,495)**
Total Net	**188,624**	**213,668**

The intangible asset with an indefinite useful life relates mainly to goodwill on the business combination resulting from the merger with Caja Rural del Mediterráneo, Sociedad Cooperativa de Crédito (Note 3.9).

The merger between the former entities Cajamar Caja Rural Sociedad Cooperativa de Crédito and Caja Rural del Mediterráneo, Ruralcaja, Sociedad Cooperativa de Crédito in November 2012 gave rise to the formation of Cajas Rurales Unidas, Sociedad Cooperativa de Crédito. The difference between the fair value of the new entity's assets and the equity of Ruralcaja gave rise to goodwill. This goodwill was initially allocated to the commercial banking cash-generating unit (CGU), which encompasses the retail banking business. During 2013 and within 12 months of the merger, Caja Rurales Unidas, Sociedad Cooperativa de Crédito completed the valuation of the loans and receivables, intangible assets and financial liabilities carried by Ruralcaja, thereby determining the definitive goodwill of €121,647 thousand.

The International Accounting Standards adopted by the European Union (EU-IFRS) and in particular International Accounting Standard 36 (IAS 36) require goodwill to be tested for impairment on at least an annual basis. To this end, it must be allocated to the CGUs expected to benefit from the synergies of the business combination. In general, an impairment loss is recognised only if the recoverable amount of the CGU to which goodwill has been allocated is lower than its carrying amount.

At 31 December 2013 the goodwill was allocated to a single cash generating unit associated with commercial banking. During 2014 the Group estimated the value in use of its investment in Caja Rural del Mediterráneo, Sociedad Cooperativa de Crédito. The value in use was determined using cash-flow estimates based on business projections to 2018. A residual value was calculated for the remaining period. These cash flows were discounted at market rates and adjusted to the average cost of capital. A sensitivity analysis of the valuation against reasonably possible changes in key variable measurements has been performed (distributable cash flow used to calculate the terminal value, growth rate in perpetuity on said cash flow and discount rate), noting that in any case these variations would result in the need to recognise an impairment on the investment because the calculated value in use would still be higher than the book value of the investment.

Under IAS 36, if a reorganisation in functional structure takes place that changes the composition of one or more of the CGUs to which goodwill has been allocated, the goodwill should be redistributed among the affected units. In 2014 the Group undertook a number of organisational changes as a result of which the management control system has been altered, revising upwards the profit targets of each Regional Management Unit. In line with the changes made and pursuant to IAS 36, this change has led to a reallocation of the goodwill that was initially allocated to the commercial banking CGU that covers the retail business to the five Regional Management Units in which the highest number of branches derived from Ruralcaja are concentrated. The allocation of goodwill to these five new CGUs was made in proportion to their fair values.

At 31 December 2014 the Group has calculated the value in use of the five CGUs identified. The methodology used was the "dividend discount" method, determined as the sum of the present value of future flows of dividends and the current residual value.

The assumptions used for determining the value in use are:

- The projection of the financial statements from the business plan prepared by the Group.

- Use of net interest income ratios on total average assets of around 2% and 2.5% during the most recent projected periods.

- Progressive decrease in NPLs over the projected periods.

- For the residual value, the following assumptions have been used:

    - Tax rate of 25%.
    - Cost of capital of 10.21%. Calculated based on a risk-free rate of 1.61%, a beta of 1.18%, a risk premium of 5.00% and a size-based risk premium of 2.70%.
    - Perpetual growth of 2.5%.
    - BISIII Capital requirements of 12.5%.

- The discount rate used was the cost of capital, 10.21%.

The Group has compared the value in use of each CGU with its carrying value. In accordance with the assumptions and methodology used, it is observed that at 31 December 2014, the estimated value in use is sufficient to cover the equity of the CGUs to which goodwill has been allocated and therefore no impairment needs to be recognised.

Fully amortized intangible assets still in use by the Group at 31 December 2014 totalled €79,453 thousand (€75,154 thousand at 31 December 2013).

13. Provisions

Details of this caption on the consolidated balance sheets at 31 December 2014 and 2013 are as follows:

	Thousands of euros	
	2014	2013
Pension fund and similar obligations (Note 3.20)	15,275	13,008
Provisions for taxes and other legal contingencies	-	-
Provisions for contingent exposures and commitments (Note 21)	20,836	16,700
Other provisions	81,524	75,723
Total	**117,635**	**105,431**

Pension fund and similar obligations

The breakdown of the consolidated balance sheet items recognised under assets and liabilities for defined benefit pension commitments is as follows:

	Thousands of euros	
	2014	2013
Other assets - Net assets in pension plans (Notes 3.20 and 15)	(65)	(1,060)
Provisions – Pension fund and similar obligations (Note 3.20)	15,275	13,008

The present value of the commitments based on the assumptions indicated in Note 3.20, applied to the post-employment compensation items by the Group and the manner in which these commitments were hedged, giving rise to the aforementioned consolidated balance sheet items, is as follows:

	Thousands of euros					
	2014			2013		
	Active and retired personnel	Early retirement	Other commitments	Active and retired personnel	Early retirement	Other commitments
Current value of obligations:						
Commitments to active staff	27,330	-	-	51,564	-	-
Commitments to early-retired staff	-	15,275	-	-	12,969	-
Commitments to retired personnel	26,047	-	-	53	-	-
Fair value of plan assets (-):						
Pension Plan Assets	(18,705)	-	-	(22,122)	-	-
Insurance Policy	(36,396)	-	-	(31,699)	39	-
Actuarial profit not recognised on the balance sheet (+)	-	-	-	-	-	-
Actuarial losses not recognised on the balance sheet (-)	-	-	-	-	-	-
Cost past services not yet recognised on the balance sheet (-)	-	-	-	-	-	-
Other assets not recognised on the balance sheet	1,789	-	-	1,144	-	-
(Other assets) / Provisions recognised on the balance sheet	**65**	**15,275**	**-**	**(1,060)**	**13,008**	**-**

Details of movement in net assets and liabilities during the year, recognised on the consolidated balance sheet, are as follows:

	Thousands of euros					
	2014			2013		
	Active and retired personnel	Early retirement	Other commitments	Active and retired personnel	Early retirement	Other commitments
(Other assets) / Provisions opening balance for the year	**(1,060)**	**13,008**	**1**	**(2,593)**	**18,565**	**1**
Provisions	2,639	6,694	-	3,093	489	-
Actuarial gains / (losses) recognised in equity	214	-	-	(488)	-	-
Recovered funds	-	-	-	28	-	-
Other movements	6	(32)	-	102	-	-
Cash outflow	(1,864)	(4,395)	(1)	(1,202)	(6,046)	-
(Other assets) / Provisions closing balance for the year	**(65)**	**15,275**	**-**	**(1,060)**	**13,008**	**1**

The breakdown of total expenses and income recognised on the consolidated income statement in relation to pensions during 2014 and 2013, distributed between the different items, is as follows:

	Thousands of euros	
	2014	2013
Personnel expenses (ordinary cost for the period) (Note 25)	(2,013)	(1,726)
Interest expense and similar charges (cost of interest) (Note 25)	(2,474)	(2,251)
Interest and similar earnings (earnings from Plan assets) (Note 25)	2,131	1,793
Provisions (Note 25)	(6,978)	(1,467)
Accounting (expense)/income	**(9,334)**	**(3,651)**

The contributions for defined benefit pension commitments made by the Group in 2014 and 2013 to the external pension plan totalled €323 thousand and €346 thousand, which have been recorded under the heading "Personnel expenses" in the consolidated income statement for those years (Note 25).

No contingent liabilities have arisen as a result of severance payments and/or post-employment benefits for employees.

There are no amounts that have not been recognised in the balance sheet with respect to actuarial gains (losses), cost of past services and unrecognised assets.

Provisions for contingent risks and commitments

The details of this consolidated balance sheet caption and the movements which occurred during 2014 and 2013 are as follow:

	Thousands of euros			
	Specific Hedges	Sub-prime Hedges	General Hedges	Total
Balance at 31 December 2012	9,313	2,188	1,511	13,012
Provisions (Note 25)	8,374	-	615	**8,989**
Recoveries (Note 25)	(2,397)	(1,512)	(1,411)	**(5,320)**
Other movements	(4)	-	23	**19**
Balance at 31 December 2013	15,286	676	738	16,700
Provisions (Note 25)	5,413	-	3,403	**8,816**
Recoveries (Note 25)	(3,910)	(154)	(616)	**(4,680)**
Other movements	-	-	-	**-**
Balance at 31 December 2014	16,789	522	3,525	20,836

This heading includes the amount of provisions created to cover contingent risks, which are understood to be those transactions in which the Group guarantees the obligations of a third party as a result of financial guarantees granted or other agreements, and contingent commitments, which are understood to be irrevocable commitments that could give rise to the recognition of financial assets (Note 9).

Other provisions

The movement of this account during the years 2014 and 2013 is as follows:

Year 2014	Thousands of euros			
	Market	Sundry	Other responsibilities	Total
Opening balances	**2,634**	**2,492**	**70,597**	**75,723**
Provisions (Note 25)	1,346	2,617	75,335	**79,298**
Recovered funds (Note 25)	-	(20)	(65,599)	**(65,619)**
Funds used and other changes	(625)	80	(7,333)	**(7,878)**
Closing balances	**3,355**	**5,169**	**73,000**	**81,524**

Year 2013	Thousands of euros			
	Market	Sundry	Other responsibilities	Total
Opening balances	**-**	**644**	**157,590**	**158,234**
Provisions (Note 25)	25,304	1,751	86,124	**113,179**
Recovered funds (Note 25)	(22,670)	-	(1,670)	**(24,340)**
Funds used and other changes	-	97	(171,447)	**(171,350)**
Closing balances	**2,634**	**2,492**	**70,597**	**75,723**

In this account the Group records the various contingencies considered to be probable and they are classified in accordance with three types of risk:

- Market risk, due to the activity carried out by the Group with respect to investments that will probably give rise to contingencies that must be covered.

- Sundry risks, for which provisions have been recorded covering unresolved issues that the Group believes, will result in a probable payment.

- Other liabilities, estimating probable payments deriving from the Group's normal activities.

The Governing Board of the Group approved the Collective Restructuring, Merger and Labour Agreement on 27 December 2012, having been negotiated with the Entity's management and all of the employees' union representatives. The Agreement contemplated restructuring and redundancies. The most significant aspect was a voluntary early retirement plan for employees aged 55 and over (aged 53 and over in the case of those located in Valencia). In order to adequately cover the commitments assumed under this agreement, the Group had recognised a provision for other liabilities and charges at 31 December 2014 of €33,333 thousand (€37,665 thousand at 31 December 2013).

14. Tax assets and liabilities – Corporate income tax

The breakdown of tax assets and liabilities at 31 December 2014 and 2013, respectively, is as follows:

	Thousands of euros			
	Assets		Liabilities	
	2014	2013 (*)	2014	2013
Current Taxes:	**43,853**	**28,396**	**19,639**	**17,556**
Deferred Taxes:	**955,794**	**918,083**	**97,041**	**99,154**
Timing differences:				
Goodwill on asset acquisition	863	866	-	-
Impairment losses on available-for-sale financial assets	125,698	127,315	-	-
Pension funds and other insurance	44,765	6,055	-	-
Unpaid fees and commissions (BoS, 4/2004)	909	1,386	-	-
Early retirement and termination fund	5,692	4,632	-	-
Loan impairment losses	388,331	386,598	-	-
Funds and provisions made	19,988	18,183	-	-
Foreclosed assets impairment losses	27,156	122	-	-
Surplus depreciation charge (Law 16/2012)	12,051	6,066	-	-
Credit investment at fair value	58,858	52,423	-	-
Financial expense limited deductibility	5,713	-	-	-
Under-valuation of available-for-sale financial assets	1,182	2,208	-	-
Deposit guarantee fund	-	22,502	-	-
Business combination CRD	1,060	1,064	-	-
Revaluation of property	150	-	49,373	50,309
Revaluation of available-for-sale financial assets	-	205	9,173	4,466
Other revaluation reserves	-	-	328	328
Other business combinations. Fair value loans and receivables and others	-	-	38,034	44,051
Actuarial income and expenses	111	-	133	-
Other	1,256	934	-	-
Credit for losses to be offset from the year	235,902	268,962	-	-
Entitlements to deductions and allowances pending application	26,109	18,562	-	-
Total	**999,647**	**946,479**	**116,680**	**116,710**

(*) The figures for 2013 year end have been restated in accordance with the changes in accounting policies mentioned in Notes 2.5, 3.17 and 4.

The balance under the heading "Tax assets" records the amounts to be recovered over the coming twelve months ("Tax assets - Current") and the amounts of the taxes to be recovered in future years, including those deriving from tax-loss carry forwards or tax credits for deductions or benefits yet to be applied ("Tax assets - Deferred"). The balance under the heading "Tax liabilities" include the amount of all tax liabilities, making a distinction between current and deferred items, except for any provisions for taxes that are recorded under the heading "Provisions" in the accompanying consolidated balance sheets.

The breakdown of deferred tax assets and liabilities included in the consolidated balance sheet at 31 December 2014 and 2013 is as follows:

	Thousands of euros			
	Assets		Liabilities	
	2014	2013 (*)	2014	2013
Balance at the beginning of the year	**918,083**	**909,767**	**99,154**	**117,202**
Adjustments from previous years	**7,342**	**(8,200)**	**(691)**	**(7,619)**
Income Tax of the year				
Impairment losses on available-for-sale financial assets	32,189	91,475	-	-
Goodwill	-	(12)	-	-
Pension funds and other insurance	1,138	47	-	-
Loans and receivables impairment losses	6,104	(58,667)	-	-
Credit investment and other at fair value	-	-	-	-
Unpaid fees and commissions (BoS, 4/2001)	(431)	(490)	-	-
Funds and provisions made	1,265	(21,860)	-	-
Early retirement and termination fund	545	(414)	-	-
Foreclosed assets impairment losses	27,089	-	-	-
Surplus depreciation charge (Law 16/2012)	6,132	6,079	-	-
Business Combination. Ruralcaja	-	(6,483)	-	-
Deposit guarantee fund	(22,502)	10,652	-	-
Financial expense limited deductibility	5,713	-	-	-
Credit for losses to be offset from the year	(30,343)	(9,532)	-	-
Entitlements to deductions and allowances	3,855	84	-	-
Revaluation of property	(2)	-	(565)	(652)
Special depreciation and others	-	-	-	(52)
Business combination CRD	-	-	(6,800)	(11,345)
Other	4	32	-	-
Transfers and other				
Revaluation of available-for-sale financial assets	(428)	(6,258)	5,766	1,620
Deposit guarantee fund	-	11,852	-	-
Other revaluation reserves	-	-	-	-
Actuarial income and expenses	40	-	133	-
Other	1	11	44	-
Year end balance	**955,794**	**918,083**	**97,041**	**99,154**

(*) The figures for 2013 year end have been restated in accordance with the changes in accounting policies mentioned in Notes 2.5, 3.17 and 4.

There are no tax assets relating to positive temporary differences, tax-loss carry forwards or unrecorded tax credits for deductions at 31 December 2014 and 2013.

The reconciliation between the year's income and the taxable income corresponding to the years 2014 and 2013 is as follows:

	Thousands of euros	
	2014	**2013 (*)**
Adjusted Accounting Result before consolidation	**(64,373)**	**27,108**
Permanent differences:	**(75,056)**	**(79,485)**
Allocation to welfare funds	(5,112)	(486)
Mandatory Reserve Fund	(5,961)	(1,068)
Equity contributed capital	(57,404)	(76,252)
Other	(6,579)	(1,679)
Offsetting negative tax bases from previous periods	**-**	**-**
Adjusted Accounting Result	**(139,429)**	**(52,377)**
Temporary differences:	**103,448**	**82,575**
Impairment in available-for-sale financial assets	107,297	304,918
Goodwill	-	(46)
Pension Fund and other insurances	4,377	181
Impairment in loans and receivables	23,829	(245,872)
Non- accrued commission CBE 4/2001	(1,688)	(1,917)
Constituted funds and provisions	4,810	(77,776)
Early retirement fund	2,082	(7,843)
Surplus depreciation charge (Law 16/2012)	22,958	23,173
Property revaluation	2,155	2,431
Depreciation intangible assets	26,006	43,381
Depreciation and especial amortisation and other	-	116
Revaluation in non-current assets held for sale	-	-
Deposit guarantee fund	(88,375)	41,829
Other	(3)	-
Taxable income/loss	**(35,981)**	**30,198**
Tax Liability (30%-25%)	-	10,309
Tax deductions and credits	-	(10,309)
Tax credits and tax relief	-	-
Withholdings and payments on account	(17,185)	(9,444)
Other	-	-
Tax Payable/ (Accrual)	**(17,185)**	**(9,444)**

The breakdown of corporate tax included in the consolidated income statement at 31 December 2014 and 2013 is as follows:

	Thousands of euros	
	2014	**2013 (*)**
Tax Liability (30%-25%)	(34,200)	(22,810)
Tax deductions and credits	(3,855)	(17)
Adjustment Income Tax previous years	(7,070)	(2,254)
Current Income tax	**(45,125)**	**(25,081)**

(*) The figures for 2013 year end have been restated in accordance with the changes in accounting policies mentioned in Notes 2.5, 3.17 and 4.

The Group has applied the tax benefits relating to the corporate income tax deductions and credits that are allowed by applicable legislation.

Independent of the corporate income tax recognized in the consolidated income statement, in 2014 and 2013 the Group charged the following amounts against its consolidated equity (deferred taxes), as follows:

	Thousand of Euros	
	2014	2013
Revaluation of Tangible Assets	49,373	50,309
Revaluation of Intangible Assets	37,543	43,946
Variable Income Securites at Fair Value (Note 7.5.c.)	5,176	3,051
Fixed Income Securites at Fair Value (Nota 7.5.c.)	3,560	418
Fair value of credit investments and non-current assets for sale	(59,586)	(53,762)
Actuarial income and expenses	22	-

Movements in corporate income tax expenses and revenues reflected in the statement of recognised revenues and expenses totalling 5,175 thousand Euros at 31 December 2014 (7,299 thousand euros at 31 December 2013), relate to the heading Available-for-sale financial assets and to the heading actuarial income and expenses in defined benefit pension plans.

Royal Decree-Law 14/2013, of 29 November, took effect on 30 November 2013, amending the consolidated text of the Corporate Income Tax Act, stipulating that for tax years beginning from 1 January 2011, charges for the impairment of loans and other assets deriving from the potential insolvency of debtors other than the taxpayer and provisions or contributions to pension and, as warranted, early retirement, schemes, which had generated deferred tax assets, will be added to taxable income in keeping with the provisions of the said Act up to the limit of taxable income before their inclusion and before the utilisation of tax losses. Effectiveness of this amendment affects the Entity to the extent that during the years to which it applies it did not have sufficient taxable income to utilise its recognised deferred tax assets.

Royal Decree 14/2013 and Law 27/2014 on corporate income tax in effect since 1 January 2015 lay down that deferred tax assets corresponding to charges for the impairment of loans and other assets deriving from the potential insolvency of debtors not related to the taxpayer and from transfers or contributions to staff welfare schemes and, if appropriate, early retirement, will be converted into a (monetisable) credit against the tax authorities in the events envisaged in the relevant legislation. The monetisable tax assets at 31 December 2014 totalled €524,737 thousand.

A breakdown of tax-loss carryforwards, deductions and allowances available for offset in future years at 31 December 2014 and 2013 is as follows:

		Thousands of euros	
Generating Year	Concept	2014	2013
2014	Credits from negative tax basis	12,146	-
2014	Tax deductions and credits rights	3,855	-
2013	Credits from negative tax basis	177	3,968
2013	Tax deductions and credits rights	3,163	84
2012	Credits from negative tax basis	194,124	205,397
2012	Tax deductions and credits rights	4,255	3,513
2011	Credits from negative tax basis	538	1,752
2011	Credits from negative tax basis non financial entities	-	118
2011	Tax deductions and credits rights	4,094	4,170
2010	Credits from negative tax basis	28,670	57,672
2010	Tax deductions and credits rights	5,166	5,162
2009	Credits from negative tax basis	95	95
2009	Tax deductions and credits rights	2,320	2,287
2008	Credits from negative tax basis	106	-
2008	Tax deductions and credits rights	3,252	3,252
2007	Tax deductions and credits rights	1	3
2004	Credits from negative tax basis non financial entities	50	50
		262,012	**287,523**

In view of the projections under the Grupo Cooperativo Cajamar's budgets and future projections, the Group expects to recover the monetisable deferred assets derived from tax credits and the tax credits for loss carryforwards in future years.

The subsidiary Cimenta 2 Gestion e Inversiones, S.A.U. records deferred tax assets totalling €34,323 thousand at 31 December 2014, of which €34,009 thousand was generated in 2014. Based on the projections arising from this company's business plan for the coming years, as well as future projections under the plan, the Group expects to recover the tax assets from deductible temporary differences and tax credits for offsettable losses within a maximum period of 10 years.

In 2013, Caja Rural de Casinos, Sociedad Cooperativa de Crédito Valenciana, Caja Rural de Canarias, Sociedad Cooperativa de Crédito and Credit Valencia Caja Rural, Sociedad Cooperativa de Crédito Valenciana merged into Cajas Rurales Unidas, Sociedad Cooperativa de Crédito. For tax purposes the mergers availed for the neutrality tax regime for mergers, spin-offs, asset contributions and security swaps provided for in Chapter VIII of Title VII of Royal Decree-Law 4/2004, enacting the consolidated text of the Corporate Income Tax Act.

As part of the business combination, the assets, liabilities and contingent liabilities of Caja Rural de Casinos, Sociedad Cooperativa de Crédito Valenciana, Caja Rural de Canarias, Sociedad Cooperativa de Crédito and Credit Valencia Caja Rural, Sociedad Cooperativa de Crédito Valenciana were included in the financial statements of Cajas Rurales Unidas at their carrying amounts as per the transferor's financial statements.

There are no tax benefits applied by the aforementioned entities, with respect to which Cajas Rurales Unidas should assume the obligation to fulfil applicable requirements in accordance with 90.1 and 2 of Legislative Royal Decree 4/2004, approving the Corporate Income Tax Law.

The Group has its books open to inspection for all the years required for the various applicable taxes under prevailing tax legislation.

Due to the different interpretations that may be afforded to the tax rules applicable to the Group's operations, there could be certain contingent tax liabilities which cannot yet be quantified subjectively. However, in the opinion of the parent entity's Board of Directors and its tax advisors, the possibility of such contingent liabilities materialising is remote and in any event, the tax debt which may derive from the same would not have a significant effect on the accompanying consolidated annual accounts

Balance sheet restatement

With respect to Law 16/2012, through which sundry tax measures are adopted aimed at the consolidation of public finance and driving economic activity, Article 9 of Chapter III relating to the balance sheet restatement lays down that corporate income taxpayers, personal income taxpayers carrying out economic activities that keep their accounting records in accordance with the Code of Commerce or are required to keep a record of their economic activities and non-resident income taxpayers with a permanent establishment may voluntarily avail themselves of the restatement governed therein.

This Law also establishes that generally tangible fixed asset and investment property located in Spain and abroad may be restated.

In 2013 the Group carried out the assessment of Law 16/2012 and its potential accounting and tax implications and impacts. Eventually, the Group concluded and opted not to apply the asset restatement.

15. Other assets and liabilities

The details of the balance of these captions in the assets and liabilities sections on the accompanying consolidated balance sheets for the years 2014 and 2013 are as follows:

	Thousands of euros	
	2014	**2013**
Other Assets:		
Prepayment and accrued income	16,119	15,476
Inventories:		
Amortised cost	1,644,061	1,344,515
Asset impairment adjustments (Note 14)	(487,301)	(348,602)
Other:		
Net assets in pension funds (Note 13)	65	1,060
Operations in transit	2,680	11,211
Other items	131,272	60,451
Total	**1,306,896**	**1,084,111**

	Thousands of euros	
Other liabilities:	**2014**	**2013** (*)
Prepayment and accrued income	106,200	128,485
Other:		
Operations in transit	3,629	10,942
Other items	226,543	176,820
Total	**336,372**	**316,247**

(*) The figures for 2013 year end have been restated in accordance with the changes in accounting policies mentioned in Notes 2.5, 3.17 and 4.

The heading "Inventories" includes the asset balances, including land and other properties that are for sale during the ordinary course of the business.

The movements of assets mentioned in the above paragraph on the consolidated balance sheets, without taking into account valuation adjustments, throughout 2014 and 2013, is as follows:

	Thousands of euros	
Cost	**2014**	**2013**
Opening Balance	**1,344,514**	**1,399,068**
Additions	458,619	248,831
Disposals	(153,069)	(107,691)
Disposals due to impairment	-	(274,767)
Transfers (Notes 10 and 12)	(6,003)	79,073
Ending Balance	**1,644,061**	**1,344,514**

	Thousands of euros	
Impairment	**2014**	**2013**
Opening Balance	**(348,602)**	**(540,719)**
Additions	(180,397)	(90,428)
Disposals due to impairment	-	274,767
Transfers, disposals and others	41,698	7,778
Ending Balance	**(487,301)**	**(348,602)**

In 2014 eliminations from sales of Inventories net value total €153,069 thousand (€107,691 in 2013). In 2014 loans have been granted to finance the sale of inventories by the Group totalling €72,290 thousand (€11,738 thousand in 2013). The average percentage financed compared with the total amount of foreclosed assets sold at 31 December 2014 was 34.96% (38.24% at 31 December 2013).

The fair value of inventories recorded under this caption at 31 December 2014 and 2013 matches the book value.

16. Promotion and Education Fund

The creation of Grupo Cooperativo Cajamar does not limit the operation and management of Education and Development Fund to the Governing Body of the parent entity, and this responsibility falls to the Governing Body of each entity forming part of the Group, as follows:

The basic lines of application of the Education and Development Fund are as follows, in accordance with the provisions of the Entities' by-laws.

- The training and education of members and employees of the Entity with respect to cooperative principles and values, as well as the dissemination of the characteristics of cooperativism in social and rural environments and other cooperative action of a socio-cultural nature.
- The encouragement of action relating to the dissemination of cooperativism, cooperation and cooperative integration.
- Cultural, professional and assistance development at the local level or for the community in general, to contribute to the improvement of quality of life and social welfare.
- The participation in strategies and programmes that respond to the needs of social development, protection of the environment and economic development of the Group's action zones.

At the individual level, each credit Entity forming part of the Cooperative Group carries out their own activities financed by the Education and Development Fund and the most significant in 2014 and 2013 are as follows:

- Projects related to actions to promote cooperativism, local and rural development and support social, welfare and cultural development in the geographical area where it carries out its activities. The financial support afforded to these projects has given rise to direct aid provided to non profit institutions and associations.

- Analysis and sectoral studies, reports and publications of monographs, organizing courses and technical seminars, boost financial education in values and sociocultural actions aimed to enhance the knowledge of the production environment and social development in the different areas that make up our scope, and have been made by both the Servicio Técnico Agroalimentario y Cooperativo and the foundation of our organization.

- In terms of agrifood innovation, research projects for the optimization in the management of protected crops and fruit production, efficient use of water, fertilizer and energy, improved structures and covering materials and climate management and integrated control of pest and diseases in horticultural crops that have been developed in the Estación Experimental “Las Palmerillas” (Almería) and the Centro de Experiencias de Paiporta (Valencia). Activities relating to the disclosure and sharing of knowledge through the organisation of technical meetings, seminars and courses aimed at farmers and agricultural technicians providing advisory services to the sector. Support services, farmers and food and agricultural companies interested in making new investments in order to include new production technologies. Performance of socio-economic studies and publication of materials related to food and agricultural activities and the economy in general. Through our foundations, education and environmental awareness projects have been carried out together with environmental regeneration work on degraded land, through collaboration with teaching centres.

- Encouraging cooperation with key organisations and institutions in the agri-food and cooperative sector to increase the competitiveness of its associates.

- Network of university professorships to generate and transfer knowledge of activities related to the agri-food sector and cooperativism.

- Support for universities has continued in order to continue contributing to the development of basic and applied research, improved training and job-market insertion for university students, as well as economic, social and cultural progress in our area of activity.

- In the cultural field, theatre and music have played a prominent role through our Educational Theatre Programme in schools, the organisation of theatre-related children's activities at our various locations, the Didactic Concerts scheme devoted this year to knowledge of jazz and or the Antonio de Torres International Classical Guitar Competition for children. We have continued to support the Provincial Games and the Fair Play Programme of Almeria, as well as Olympic and Paralympic sports in collaboration with the Andalusia Olympic Foundation. In the health area, our cycle of "Health Today" conferences has continued to raise awareness in topics related to obesity, the immune system, anxiety, etc.

- Concerning international cooperation, we continued to carry out our campaign in favour of the Millennium Development Goals. In 2014, we have collaborated in the achievement of the Seventh Goal: ensure environmental sustainability. Carrying out activities in two strategic lines of work: a tender open to entities with specific work programmes for the benefit of the achievement of the seventh Millennium Development Goal, from which two were selected, Medicos Mundi Andalucía and Fundación Recover; and awareness campaigns among children, such as the Children's Drawing competition.

- Programmes and initiatives aimed at economic, social and cultural development through the employee association Acremar and members of the Entity’s Solidarity Team and Volunteer Programme.

The management of the Education and Development Fund falls to the Governing Bodies of participating entities, or to the persons delegated by them with respect to specific actions. Its members prepare a budget proposal based on the purposes established in the basic lines of application and it is submitted for the approval of the General Assemblies at the ordinary meeting held each year. Afterwards the Governing Bodies, in its monthly meeting, or the Executive Commission of the Governing Bodies, in its weekly sessions, evaluate the applications presented to be subsidized with the Education and Development Fund funds, accepting or rejecting each application.

The Fund's activities have been brought into line with the basic lines of application approved by General Assemblies and the items that contribute to the promotion of the cultural environment are notable, as are those intended to strengthen the values of the cooperative movement.

The itemised breakdown of the balances related to the Group's Education and Development Fund, at 31 December 2014 and 2013, is the following:

	Thousand of Euros	
	2014	**2013**
Application of the Education and Development Fund		
Tangible assets:	**4,292**	**8,121**
Cost	11,623	17,568
Accumulated depreciation	(7,331)	(9,447)
Asst impairment adjustments	-	-
Other debtor balances	-	-
Total	**4,292**	**8,121**
Education and Development Fund		
Appropriation:	9,033	10,978
Applied to tangible assets (Note 11)	3,877	7,139
Applied to other investments	415	643
Expense commitments undertaken during the year	3,048	6,245
Maintenances expenses for the year in progress	(2,913)	(4,192)
Amount not committed to	4,606	712
Surplus	-	431
Revaluation reserves	981	1,316
Other liabilities	1,939	1,910
Total	**11,953**	**14,204**

The budget of expenses and investments of the Fund for Education and Promotion for 2014 amounted to €3,048 thousand (€6,245 thousand in 2013). Movements in property, plant and equipment linked to the Education and Development Fund are set out in detail in Note 12.

Movement in the Fund during 2014 and 2013 is as follows:

	Thousand of Euros	
	2014	**2013**
Opening balance	**14,204**	**15,680**
Distribution of previous year surplus	486	4,026
Extraordinary allocation againts reserves	912	137
Maintenance expense for the year	(2,913)	(4,192)
Other	(736)	(1,447)
Closing balance	**11,953**	**14,204**

17. Own funds

Equity on the accompanying consolidated balance sheets at 31 December 2014 and 2013 breaks down is as follows:

Own funds	Thousands of euros	
	2014	**2013 (*)**
Capital or endownment fund	**813,550**	**-**
Issued	813,550	-
Less: Unpaid and uncalled	-	-
Share premium	**-**	**-**
Reserves	**(239)**	**-**
Not distributable reserves:	-	-
Mandatory reserve fund	-	-
Statutory reserve	-	-
Unrestricted reserves	(239)	-
Voluntary Reserve Fund	*(239)*	-
Retained earnings	-	-
Prior-year losses	-	-
Reserve for actuarial gains and losses and other adjustments	-	-
Equity of Group Cooperative Societies subject to a solvency commitment	**2,709,092**	**2,705,570**
Equity of Cajas Rurales Unidas subject to a solvency commitment	**2,489,020**	**2,493,929**
Contributions to share capital of Cajas Rurales Unidas	2,339,498	2,330,505
Accumulated reserves (losses) Cajas Rurales Unidas	149,528	178,097
Mandatory reserve fund	*52,697*	*81,246*
Revaluation Reserves	*64,311*	*64,311*
Voluntary Reserve Fund	*8,066*	*7,921*
Other reserves	*24,454*	*24,619*
Less: Treasury shares	(6)	(14,673)
Equity of other Group Cooperative Societies subject to a solvency commitment	**220,071**	**211,641**
Contributions to capital of other Group Cooperative Societies	33,309	25,576
Accumulated reserves (losses) of the other Group´s Credit Cooperatives	186,790	186,176
Mandatory reserve fund	*178,181*	*178,125*
Revaluation Reserves	*6,363*	*6,363*
Voluntary Reserve Fund	*2,472*	*1,845*
Other reserves	*(226)*	*(157)*
Less: Treasury shares	(28)	(111)
Consolidated reserves	**11,334**	**13,253**
Reserves (losses) in entities accounted for by the equity method	**10,555**	**6,038**
Other equity instruments	**-**	**-**
Other equity instruments	-	-
Parent entity shares (-)	**(790,900)**	**-**
Profit for the period attributed to parent entity	**37,144**	**51,704**
Dividend and remuneration (-)	**(57,360)**	**(75,728)**
Dividend and remuneration Cajas Rurales Unidas	*(56,949)*	*(75,431)*
Dividend and remuneration of the other Group´s Credit Cooperatives	*(411)*	*(297)*
Interim dividend (-)	**-**	**-**
Total own fund	**2,733,176**	**2,700,837**

(*) The figures for 2013 year end have been restated in accordance with the changes in accounting policies mentioned in Notes 2.5, 3.17 and 4.

Own funds reconciliation on the accompanying consolidated balance sheets with own funds breakdown at 31 December 2014, are as follows:

	Thousands of euros		
	2014		
Own funds	**2,733,176**	**2,733,176**	**Own fund breakdown**
Capital or endowment fund	**813,550**	**813,550**	**Parent entity capital**
Issued	*813,550*	*813,550*	*Parent entity authorised capital*
Less: Unpaid and uncalled	-	-	
Share premium	-	-	
Reserves	**357,969**	**357,969**	**Total Reserves**
Accumulated reserves (losses)	*347,414*	*347,414*	
		(239)	*Voluntary reserves unrestricted to the parent entity*
		149,528	*Reserves (accumulated losses) Cajas Rurales Unidas (equity subject to solvency commitments)*
		186,790	*Reserves (accumulated losses) of other Cooperative Societies (equity subject to solvency commitments)*
		11,334	*Reserves generated in consolidation process*
Reserves (losses) in entities accounted for by the equity method	*10,555*	*10,555*	*Reserves (losses) of entities carried by the equity method*
Other equity instruments	**2,372,773**	**2,372,773**	**Total equity Instruments**
Other equity instruments	*2,372,773*	*2,372,773*	
		2,339,498	*Contributions to share capital of Cajas Rurales Unidas (equity subject to solvency commitments)*
		(6)	*Less: Own shares Cajas Rurales Unidas (equity subject to solvency commitments)*
		33,309	*Contributions to capital of other Group cooperative societies (equity subject to solvency commitments)*
		(28)	*Less: Own shares rest of Group cooperative societies (equity subject to solvency commitments)*
Less: Treasury shares	**(790,900)**	**(790,900)**	**Shares in the parent entity (-) (Parent entity shares held by the Group)**
Profit for the period attributed to parent	**37,144**	**37,144**	**Profit for the year attributable to the parent entity**
Less: Dividend and remuneration	**(57,360)**	**(57,360)**	**Remuneration (-) (remuneration on contributions capital of Group credit cooperatives)**

Movements in Group own fund during 2014 and 2013 are as follows (thousand of euros):

	Own funds (Thousands of euros)											
	Capital/ Endowment fund	Share premium	Accumulated reserves (losses)	Equity of Group Cooperative Societies subject to a solvency commitment	Reserves (losses) in entities accounted for by the equity method	Consolidated reserves	Other Equity instruments	Less: Treasury shares	Profit for the period attributed to parent	Less: Dividend and remuneration	Less: Interim dividends	Total Own Funds
Closing balance at 31 December 2012	**-**	**-**	**-**	**2,433,494**	**(3,186)**	**39,679**	**-**	**-**	**(938,506)**	**(13,498)**	**-**	**1,517,983**
Adjustments due to changes in accounting policies	-	-	-	(34,692)	-	-	-	-	-	-	-	(34,692)
Adjustments made to correct errors	-	-	-	-	-	-	-	-	-	-	-	-
Opening balance adjusted (*)	**-**	**-**	**-**	**2,398,802**	**(3,186)**	**39,679**	**-**	**-**	**(938,506)**	**(13,498)**	**-**	**1,483,291**
Total income and expenses recognised	**-**	**-**	**-**	**297**	**-**	**-**	**-**	**-**	**51,704**	**-**	**-**	**52,001**
Capital/Endowment fund increase	-	-	-	261,865	-	-	-	-	-	-	-	261,865
Capital reductions	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of financial liabilities to capital	-	-	-	-	-	-	-	-	-	-	-	-
Increases in other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-
Financial liabilities trasferred to other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-
Other equity instruments transferred to financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Distribution of dividends/Remuneration of members	-	-	-	(7,052)	-	-	-	-	-	(75,728)	-	(82,780)
Operations with own equity instruments (net)	-	-	-	-	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	(48,447)	9,601	(26,427)	-	-	938,506	13,498	-	886,731
Increases (reductions) due to risk combinations	-	-	-	100,368	(38)	-	-	-	-	-	-	100,330
Optional transfer to welfare funds	-	-	-	-	-	-	-	-	-	-	-	-
Payments with equity instruments	-	-	-	-	-	-	-	-	-	-	-	-
Other increases (reductions) in equity	-	-	-	(263)	(339)	-	-	-	-	-	-	(602)
Closing balance at 31 December 2013	**-**	**-**	**-**	**2,705,570**	**6,038**	**13,252**	**-**	**-**	**51,704**	**(75,728)**	**-**	**2,700,837**

	Own funds (Thousands of euros)											
	Capital/ Endowment fund	Share premium	Accumulated reserves (losses)	Equity of Group Cooperative Societies subject to a solvency commitment	Reserves (losses) in entities accounted for by the equity method	Consolidated reserves	Other Equity instruments	Less: Treasury shares	Profit for the period attributed to parent	Less: Dividend and remuneration	Less: Interim dividends	Total Own Funds
Closing balance at 31 December 2013	**-**	**-**	**-**	**2,705,570**	**6,038**	**13,252**	**-**	**-**	**51,704**	**(75,728)**	**-**	**2,700,837**
Adjustments due to changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-
Adjustments made to correct errors	-	-	-	-	-	-	-	-	-	-	-	-
Opening balance adjusted (*)	**-**	**-**	**-**	**2,705,570**	**6,038**	**13,252**	**-**	**-**	**51,704**	**(75,728)**	**-**	**2,700,837**
Total income and expenses recognised	**-**	**-**	**-**	**(234)**	**-**	**-**	**-**	**-**	**37,144**	**-**	**-**	**36,910**
Capital/Endowment fund increase	813,550	-	(239)	31,476	-	-	-	-	-	-	-	844,787
Capital reductions	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of financial liabilities to capital	-	-	-	-	-	-	-	-	-	-	-	-
Increases in other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-
Financial liabilities trasferred to other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-
Other equity instruments transferred to financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Distribution of dividends/Remuneration of members	-	-	-	-	-	-	-	-	-	(57,360)	-	(57,360)
Operations with own equity instruments (net)	-	-	-	-	-	-	-	(790,900)	-	-	-	(790,900)
Reclassifications	-	-	-	(27,721)	4,632	(1,918)	-	-	(50,792)	75,728	-	(71)
Increases (reductions) due to risk combinations	-	-	-	-	-	-	-	-	-	-	-	-
Optional transfer to welfare funds	-	-	-	-	-	-	-	-	(912)	-	-	(912)
Payments with equity instruments	-	-	-	-	-	-	-	-	-	-	-	-
Other increases (reductions) in equity	-	-	-	-	(115)	-	-	-	-	-	-	(115)
Closing balance at 31 December 2014	**813,550**	**-**	**(239)**	**2,709,091**	**10,555**	**11,334**	**-**	**(790,900)**	**37,144**	**(57,360)**	**-**	**2,733,176**

(*) The figures for 2013 year end have been restated in accordance with the changes in accounting policies mentioned in Notes 2.5, 3.17 and 4.

Equity and movements in equity for 2014 and 2013 with respect to the Credit Cooperatives that make up the Group are as follows:

Equity of Cajas Rurales Unidas subject to a solvency commitment (Thousands of euros)

	Capital/ Endowment fund	Less: Treasury shares	Mandatory reserve fund	Voluntary Reserve Fund	Revaluation Reserves	Other reserves (**)	Accumulated reserves (losses)	Total equity subject to a solvency commitment
Closing balance at 31 December 2012	**2,022,567**	**(18,819)**	**123,319**	**-**	**63,690**	**715**	**187,724**	**2,191,472**
Adjustments due to changes in accounting policies	-	-	(31,651)	-	-	-	(31,651)	**(31,651)**
Adjustments made to correct errors	-	-	-	-	-	-	-	**-**
Opening balance adjusted (*)	**2,022,567**	**(18,819)**	**91,668**	**-**	**63,690**	**715**	**156,073**	**2,159,821**
Total income and expenses recognised	**-**	**-**	**-**	**-**	**-**	**533**	**533**	**533**
Capital/Endowment fund increase	248,339	4,146	-	-	-	-	-	**252,485**
Capital reductions	-	-	-	-	-	-	-	**-**
Conversion of financial liabilities to capital	-	-	-	-	-	-	-	**-**
Increases in other equity instruments	-	-	-	-	-	-	-	**-**
Financial liabilities trasferred to other equity instruments	-	-	-	-	-	-	-	**-**
Other equity instruments transferred to financial liabilities	-	-	-	-	-	-	-	**-**
Distribution of dividends/Remuneration of members	-	-	(7,052)	-	-	-	(7,052)	**(7,052)**
Operations with own equity instruments (net)	-	-	-	-	-	-		**-**
Reclassifications	-	-	(17,583)	7,912	(2,555)	-	(12,226)	**(12,226)**
Increases (reductions) due to risk combinations	59,599	-	14,213	9	3,176	23,371	40,769	**100,368**
Optional transfer to welfare funds	-	-	-	-	-	-	-	**-**
Payments with equity instruments	-	-	-	-	-	-	-	**-**
Other increases (reductions) in equity	-	-	-	-	-	-	-	**-**
Closing balance at 31 December 2013	**2,330,505**	**(14,673)**	**81,246**	**7,921**	**64,311**	**24,619**	**178,097**	**2,493,929**

Equity of other Group cooperatives subject to a solvency commitment (Thousands of euros)

	Capital/ Endowment fund	Less: Treasury shares	Mandatory reserve fund	Voluntary Reserve Fund	Revaluation Reserves	Other reserves (**)	Accumulated reserves (losses)	Total equity subject to a solvency commitment
Closing balance at 31 December 2012	**16,604**	**(519)**	**217,088**	**2,397**	**6,373**	**79**	**225,937**	**242,022**
Adjustments due to changes in accounting policies	-	-	(3,041)	-	-	-	(3,041)	**(3,041)**
Adjustments made to correct errors	-	-	-	-	-	-	-	**-**
Opening balance adjusted (*)	**16,604**	**(519)**	**214,047**	**2,397**	**6,373**	**79**	**222,896**	**238,981**
Total income and expenses recognised	**-**	**-**	**-**	**-**	**-**	**(236)**	**(236)**	**(236)**
Capital/Endowment fund increase	8,972	408	-	-	-	-	-	**9,380**
Capital reductions	-	-	-	-	-	-	-	**-**
Conversion of financial liabilities to capital	-	-	-	-	-	-	-	**-**
Increases in other equity instruments	-	-	-	-	-	-	-	**-**
Financial liabilities trasferred to other equity instruments	-	-	-	-	-	-	-	**-**
Other equity instruments transferred to financial liabilities	-	-	-	-	-	-	-	**-**
Distribution of dividends/Remuneration of members	-	-	-	-	-	-	-	**-**
Operations with own equity instruments (net)	-	-	-	-	-	-	-	**-**
Reclassifications	-	-	(35,659)	(552)	(10)	-	(36,221)	**(36,221)**
Increases (reductions) due to risk combinations	-	-	-	-	-	-	-	**-**
Optional transfer to welfare funds	-	-	-	-	-	-	-	**-**
Payments with equity instruments	-	-	-	-	-	-	-	**-**
Other increases (reductions) in equity	-	-	(263)	-	-	-	(263)	**(263)**
Closing balance at 31 December 2013	**25,576**	**(111)**	**178,125**	**1,845**	**6,363**	**(157)**	**186,176**	**211,641**

Equity of Cajas Rurales Unidas subject to a solvency commitment (Thousands of euros)

	Capital/ Endowment fund	Less: Treasury shares	Mandatory reserve fund	Voluntary Reserve Fund	Revaluation Reserves	Other reserves (**)	Accumulated reserves (losses)	Total equity subject to a solvency commitment
Closing balance at 31 December 2013	**2,330,505**	**(14,673)**	**81,246**	**7,921**	**64,311**	**24,619**	**178,097**	**2,493,929**
Adjustments due to changes in accounting policies	-	-	-	-	-	-	-	-
Adjustments made to correct errors	-	-	-	-	-	-	-	-
Opening balance adjusted (*)	**2,330,505**	**(14,673)**	**81,246**	**7,921**	**64,311**	**24,619**	**178,097**	**2,493,929**
Total income and expenses recognised	**-**	**-**	**-**	**-**	**-**	**(165)**	**(165)**	**(165)**
Capital/Endowment fund increase	8,993	14,667	-	-	-	-	-	23,660
Capital reductions	-	-	-	-	-	-	-	-
Conversion of financial liabilities to capital	-	-	-	-	-	-	-	-
Increases in other equity instruments	-	-	-	-	-	-	-	-
Financial liabilities trasferred to other equity instruments	-	-	-	-	-	-	-	-
Other equity instruments transferred to financial liabilities	-	-	-	-	-	-	-	-
Distribution of dividends/Remuneration of members	-	-	-	-	-	-	-	-
Operations with own equity instruments (net)	-	-	-	-	-	-	-	-
Reclassifications	-	-	(28,549)	145	-	-	(28,404)	(28,404)
Increases (reductions) due to risk combinations	-	-	-	-	-	-	-	-
Optional transfer to welfare funds	-	-	-	-	-	-	-	-
Payments with equity instruments	-	-	-	-	-	-	-	-
Other increases (reductions) in equity	-	-	-	-	-	-	-	-
Closing balance at 31 December 2014	**2,339,498**	**(6)**	**52,697**	**8,066**	**64,311**	**24,454**	**149,528**	**2,489,020**

Equity of other Group cooperatives subject to a solvency commitment (Thousands of euros)

	Capital/ Endowment fund	Less: Treasury shares	Mandatory reserve fund	Voluntary Reserve Fund	Revaluation Reserves	Other reserves (**)	Accumulated reserves (losses)	Total equity subject to a solvency commitment
Closing balance at 31 December 2013	**25,576**	**(111)**	**178,125**	**1,845**	**6,363**	**(157)**	**186,176**	**211,641**
Adjustments due to changes in accounting policies	-		-	-	-	-	-	-
Adjustments made to correct errors	-		-	-	-	-	-	-
Opening balance adjusted (*)	**25,576**	**(111)**	**178,125**	**1,845**	**6,363**	**(157)**	**186,176**	**211,641**
Total income and expenses recognised	**-**	**-**	**-**		**-**	**(69)**	**(69)**	**(69)**
Capital/Endowment fund increase	7,732	83	-	-	-	-	-	**7,815**
Capital reductions	-	-	-	-	-	-	-	**-**
Conversion of financial liabilities to capital	-	-	-	-	-	-	-	**-**
Increases in other equity instruments	-	-	-	-	-	-	-	**-**
Financial liabilities trasferred to other equity instruments	-	-	-	-	-	-	-	**-**
Other equity instruments transferred to financial liabilities	-	-	-	-	-	-	-	**-**
Distribution of dividends/Remuneration of members	-	-	-	-	-	-	-	**-**
Operations with own equity instruments (net)	-	-	-	-	-	-	-	**-**
Reclassifications	-	-	56	627	-	-	683	**683**
Increases (reductions) due to risk combinations	-	-	-	-	-	-	-	**-**
Optional transfer to welfare funds	-	-	-	-	-	-	-	**-**
Payments with equity instruments	-	-	-	-	-	-	-	**-**
Other increases (reductions) in equity	-	-	-	-	-	-	-	**-**
Closing balance at 31 December 2014	**33,308**	**(28)**	**178,181**	**2,472**	**6,363**	**(226)**	**186,790**	**220,070**

(*) The figures for 2013 year end have been restated in accordance with the changes in accounting policies mentioned in Notes 2.5, 3.17 and 4.

(**) Including pension plan actuarial gains and losses to be recognised in equity.

17.1 Capital/endowment fund:

17.1.1. Parent Entity capital/endowment fund

The entity's share capital upon incorporation stood at €800 million. Subsequently, in April 2014 a capital increase of €13,550 thousand was carried out through the issuance of 13,550 thousand registered shares with a par value of €1 each. The increase was fully subscribed by entities not belonging to the Grupo Cooperativo Cajamar.

At 31 December 2014 the parent entity's share capital amounts to €813,550 thousand, made up of 813,550 registered shares with a par value of €1 each. All shares are of the same class and series, fully subscribed and paid in. In accordance with the agreements reached, the shareholders of Banco de Crédito Cooperativo paid €813,550 thousand as the Bank's initial capital.

The shares issued by the Bank are the same class for all members of the Cooperative group and the other shareholders. The restrictions on the transfer and/or pledging of shares only apply to the members of the Grupo Cooperativo Cajamar by virtue of the Regulating Contract. The shareholders that are not members of the Cooperative Group may exercise their voting and dividend rights without any restriction.

At 31 December 2014, a total of 32 Credit Cooperatives are shareholders of the Bank. The parent entity's share capital breaks down as follows, by shareholder contribution:

Founding entities	Share %
Cajas Rurales Unidas, Sociedad Cooperativa de Crédito	87.40%
Caixa Rural de Torrent, Cooperativa de Crédito Valenciana	1.16%
Caixa Rural de Altea, Cooperativa de Crédito Valenciana	1.16%
Caja Rural San José de Burriana, Sociedad Cooperativa de Crédito	1.16%
Caja de Crédito de Petrel, Caja Rural, Cooperativa de Crédito Valenciana	1.16%
Caja Rural Católico Agraria, Sociedad Cooperativa de Crédito	1.16%
Caja Rural de Callosa d'en Sarriá, Sociedad Cooperativa de Crédito	0.55%
Caja Rural San Jaime de Alquerías del Niño Perdido, Sociedad Cooperativa de Crédito	0.55%
Caja Rural de Cheste, Sociedad Cooperativa de Crédito	0.55%
Caja Rural San José de Nules, Sociedad Cooperativa de Crédito	0.55%
Caja Rural de Alginet, Sociedad Cooperativa de Crédito	0.20%
Caixa Rural de Turís, Cooperativa de Crédito Valenciana	0.20%
Caja Rural Sant Vicente Ferrer de la Vall D'Uixo	0.20%
Caja Rural de Villar, Sociedad Cooperativa de Crédito	0.20%
Caja Rural San José de Vilavella, Sociedad Cooperativa de Crédito	0.20%
Caja Rural Albalat dels Sorells, Sociedad Cooperativa de Crédito	0.20%
Caja Rural San Roque de Almenara, Sociedad Cooperativa de Crédito	0.20%
Caja Rural San Isidro de Vilafamés, Sociedad Cooperativa de Crédito	0.20%
Caja Rural La Junquera de Chilches, Sociedad Cooperativa de Crédito	0.20%
Shareholders outside of Cajamar Cooperative Group	
Caja Rural de Almendralejo, Sociedad Cooperativa de Crédito	1.84%
Caja Rural de Castilla-La Mancha, Sociedad Cooperativa de Crédito	0.12%
Caja Rural de Guissona, S. Coop. de Crédito	0.02%
Caja Rural de Baena Ntra. Señora de Guadalupe, Sociedad Cooperativa de Crédito Andaluza	0.04%
Caja Rural de Utrera, Sociedad Cooperativa Andaluza de Crédito	0.04%
Caja Rural de Cañete de las Torres Ntra. Sra. del Campo, Sociedad Cooperativa Andaluza de Crédito	0.04%
Caja Rural Ntra. Sra. del Rosario, Sociedad Cooperativa Andaluza de Crédito	0.04%
Caja Rural Ntra. Madre del Sol, S. Coop. Andaluza de Crédito	0.04%
Caixa Rural La Vall San Isidro Sociedad Cooperativa de Crédito Valenciana	0.18%
Caja Rural San José de Almassora, S.Coop de Crédito	0.12%
Caixa Rural de Benicarló, S.Coop de Crédito	0.12%
Caixa Rural Vinaros, S. Coop. de Crédito	0.12%
Caixa Rural Les Coves de Vinroma, S.Coop de Crédito	0.06%

Any credit cooperative wishing to join the Grupo Cooperativo Cajamar must acquire an interest in the share capital of Banco de Crédito Social Cooperativo, S.A.

The Group member entities may exercise their dividend and voting rights as shareholders of Banco de Crédito Social Cooperativo, S.A., in proportion to their shareholdings. When they exercise said rights, they must safeguard the Group's interests and take into consideration that their holding in the parent entity is an instrument for configuring their participation in the Group.

Member entities are required at all times to maintain full ownership of their shares in Banco de Crédito Social Cooperativo, S.A. and any preferential subscription rights they may hold, free of charges and encumbrances and with all relevant dividend and voting rights. Member entities may only transfer their shares in the parent entity to other member entities and third parties with the prior consent of the parent entity Banco de Crédito Social Cooperativo, S.A. In this event, an adjustment must be agreed and made to the corporate governance rules included in the Regulating Contract of the Grupo Cooperativo Cajamar based on the new percentage holdings in the parent company's share capital.

17.1.2. Parent entity shares

The shares held by group entities in the parent entity are recorded under Treasury shares in Equity. At 31 December 2014 they totalled €790,900 thousand, as follows:

	Thousands of euros
	2014
Cajas Rurales Unidas, Sociedad Cooperativa de Crédito	711,000
Caixa Rural de Torrent, Cooperativa de Crédito Valenciana	9,500
Caixa Rural de Altea, Cooperativa de Crédito Valenciana	9,500
Caja Rural San José de Burriana, Sociedad Cooperativa de Crédito	9,500
Caja de Crédito de Petrel, Caja Rural, Cooperativa de Crédito Valenciana	9,500
Caja Rural Católico Agraria, Sociedad Cooperativa de Crédito	9,500
Caja Rural de Callosa d'en Sarriá, Sociedad Cooperativa de Crédito	4,500
Caja Rural San Jaime de Alquerías del Niño Perdido, Sociedad Cooperativa de Crédito	4,500
Caja Rural de Cheste, Sociedad Cooperativa de Crédito	4,500
Caja Rural San José de Nules, Sociedad Cooperativa de Crédito	4,500
Caja Rural de Alginet, Sociedad Cooperativa de Crédito	1,600
Caixa Rural de Turís, Cooperativa de Crédito Valenciana	1,600
Caja Rural Sant Vicente Ferrer de la Vall D'Uixo	1,600
Caja Rural de Villar, Sociedad Cooperativa de Crédito	1,600
Caja Rural San José de Vilavella, Sociedad Cooperativa de Crédito	1,600
Caja Rural Albalat dels Sorells, Sociedad Cooperativa de Crédito	1,600
Caja Rural San Roque de Almenara, Sociedad Cooperativa de Crédito	1,600
Caja Rural San Isidro de Vilafamés, Sociedad Cooperativa de Crédito	1,600
Caja Rural La Junquera de Chilches, Sociedad Cooperativa de Crédito	1,600
Total	**790,900**

17.1.3. Contributions to capital of Group Cooperative Societies

Shareholder contributions to the share capital of Cajas Rurales Unidas, Sociedad Cooperativa de Crédito, amount to €2,339,498 thousand at 31 December 2014 (€2,330,505 thousand at 31 December 2013) recorded under "*Equity of Group Cooperative Societies subject to a solvency commitment - Equity of Cajas Rurales Unidas subject to a solvency commitment - Contributions to the share capital of Cajas Rurales Unidas*".

This member entity's minimum share capital, under Article 49 of its Bylaws, is set at €25 million, being variable in character and made up of mandatory contributions of €61. The members' contributions to the share capital of Cajas Rurales Unidas, Sociedad Cooperativa de Crédito are attested to in sequentially numbered nominative certificates. The total amount that a single member can contribute to share capital cannot exceed 2.5% for individuals and 5% for companies. At the end of 2014 the largest contribution equalled 0.21% of share capital (0.2% at the end of 2013).

Contributions to share capital accrue the interest agreed by the General Assembly, which is subject to the limits established by current legislation.

Capital incorporated by the Credit Cooperatives belonging to the Group amounts to €33,308 thousand at 31 December 2014 (€25,576 thousand at 31 December 2013) and is recorded under "*Equity of Group Cooperative Societies subject to a solvency commitment - Equity of the other Group Cooperative Societies subject to a solvency commitment - Contributions to the share capital of other Group Cooperative Societies*".

Movements in the capital of Group Credit Cooperatives for 2014 and 2013 are as follows:

Year 2014

Group´s entity	Capital/ Endowment fund	Treasury shares	Opening balance	Number of shares	Additions	Number of shares	Disposals	Number of shares	Treasury shares	Closing balance
	Thousands of euros									
Cajas Rurales Unidas, Sdad. Coop. de Crédito	2,330,505	(14,673)	2,315,832	38,205,005	340,444	5,581,051	(331,451)	5,433,623	(5)	2,324,820
Caixa Rural de Torrent, Coop. de Crédito Valenciana	6,390	-	6,390	106,301	2,367	39,379	(750)	12,470	-	8,007
Caixa Rural de Altea, Coop. de Crédito Valenciana	1,484	-	1,484	24,707	1,043	17,353	(237)	3,936	-	2,291
Caja Rural San José de Burriana, Sdad. Coop. de Crédito	1,572	(78)	1,494	26,155	407	6,769	(205)	3,405	-	1,696
Caja de Crédito de Petrel, Caja Rural, Coop. de Crédito Valenciana	1,208	-	1,208	20,108	393	6,543	(90)	1,490	-	1,512
Caja Rural Católico Agraria, Sdad. Coop. de Crédito	3,350	-	3,350	55,735	1,652	27,489	(494)	8,214	-	4,508
Caja Rural de Callosa d'en Sarriá, Sdad. Coop. de Crédito	2,806	-	2,806	46,681	782	13,004	(268)	4,462	-	3,319
Caja Rural San Jaime de Alquerías del Niño Perdido, Sdad. Coop. de Crédito	1,317	-	1,317	21,913	685	11,403	(102)	1,693	-	1,900
Caja Rural de Cheste, Sdad. Coop. de Crédito	571	-	571	9,501	312	5,186	(34)	567	-	848
Caja Rural San José de Nules, Sdad. Coop. de Crédito	2,019	-	2,019	33,581	1,177	19,576	(569)	9,472	-	2,626
Caja Rural de Alginet, Sdad. Coop. de Crédito	810	(28)	782	13,472	379	6,312	(58)	971	(28)	1,075
Caixa Rural de Turís, Coop. de Crédito Valenciana	313	-	313	4,727	191	2,886	(91)	1,381	-	412
Caja Rural Sant Vicente Ferrer de la Vall D'Uixo	856	-	856	14,233	705	11,736	(138)	2,292	-	1,423
Caja Rural de Villar, Sdad. Coop. de Crédito	310	-	310	5,168	291	4,847	(27)	442	-	575
Caja Rural San José de Vilavella, Sdad. Coop. de Crédito	565	-	565	9,397	112	1,859	(16)	259	-	661
Caja Rural Albalat dels Sorells, Sdad. Coop. de Crédito	1,117	-	1,117	18,580	66	1,105	(14)	236	-	1,169
Caja Rural San Roque de Almenara, Sdad. Coop. de Crédito	307	-	307	5,114	101	1,673	(13)	209	-	395
Caja Rural San Isidro de Vilafamés, Sdad. Coop. de Crédito	354	-	354	5,059	62	885	(18)	250	-	399
Caja Rural La Junquera de Chilches, Sdad. Coop. de Crédito	225	-	225	3,737	145	2,416	(11)	189	-	358
Total	**2,356,076**	**(14,779)**	**2,341,297**	**38,629,174**	**351,314**	**5,761,472**	**(334,583)**	**5,485,561**	**(33)**	**2,357,995**

Year 2013

Group´s entity	Capital/ Endowment fund	Treasury shares	Opening balance	Number of shares	Additions	Number of shares	Disposals	Number of shares	Treasury shares	Closing balance
	Thousands of euros									
Cajas Rurales Unidas, Sdad. Coop. de Crédito	2,022,567	(18,819)	2,003,748	33,156,833	943,863	15,473,164	(635,925)	10,425,000	(14,673)	2,315,832
Caixa Rural de Torrent, Coop. de Crédito Valenciana	4,127	-	4,127	68,534	7,617	126,718	(5,354)	89,070	-	6,390
Caixa Rural de Altea, Coop. de Crédito Valenciana	806	-	806	13,422	815	13,560	(137)	2,275	-	1,484
Caja Rural San José de Burriana, Sdad. Coop. de Crédito	1,502	(78)	1,424	24,988	667	11,098	(597)	9,933	(78)	1,494
Caja de Crédito de Petrel, Caja Rural, Coop. de Crédito Valenciana	882	-	882	14,680	594	9,890	(268)	4,462	-	1,208
Caja Rural Católico Agraria, Sdad. Coop. de Crédito	1,644	-	1,644	27,354	1,922	31,980	(216)	3,599	-	3,350
Caja Rural de Callosa d'en Sarriá, Sdad. Coop. de Crédito	2,232	-	2,232	37,102	1,468	24,426	(894)	14,875	-	2,806
Caja Rural San Jaime de Alquerías del Niño Perdido, Sdad. Coop. de Crédito	308	-	308	5,124	1,115	18,546	(106)	1,763	-	1,317
Caja Rural de Cheste, Sdad. Coop. de Crédito	328	-	328	5,457	284	4,732	(41)	690	-	571
Caja Rural San José de Nules, Sdad. Coop. de Crédito	1,301	-	1,301	21,637	1,348	22,429	(630)	10,483	-	2,019
Caja Rural de Alginet, Sdad. Coop. de Crédito	481	(28)	453	8,002	653	10,865	(324)	5,391	(28)	782
Caixa Rural de Turís, Coop. de Crédito Valenciana	170	-	170	2,564	153	2,322	(10)	158	-	313
Caja Rural Sant Vicente Ferrer de la Vall D'Uixo	622	-	622	10,349	337	5,607	(103)	1,714	-	856
Caja Rural de Villar, Sdad. Coop. de Crédito	161	(14)	147	2,678	160	2,662	(11)	177	-	310
Caja Rural San José de Vilavella, Sdad. Coop. de Crédito	397	-	397	6,606	185	3,086	(17)	291	-	565
Caja Rural Albalat dels Sorells, Sdad. Coop. de Crédito	1,062	-	1,062	17,672	71	1,180	(16)	271	-	1,117
Caja Rural San Roque de Almenara, Sdad. Coop. de Crédito	187	-	187	3,123	145	2,411	(25)	421	-	307
Caja Rural San Isidro de Vilafamés, Sdad. Coop. de Crédito	280	-	280	4,012	94	1,344	(20)	283	-	354
Caja Rural La Junquera de Chilches, Sdad. Coop. de Crédito	111	-	111	1,845	138	2,294	(24)	402	-	225
Caja Rural de Casinos, Sdad. Coperativa de Crédito Valenciana	149	-	149	2,474	(149)	-	-	-	-	-
Caja Rural Canarias, Sdad. Coop. de Crédito	31,911	-	31,911	530,877	(31,911)	-	-	-	-	-
Crèdit València Caixa Rural, Coop. de Crédito Valenciana	27,540	(399)	27,141	45,233	(27,540)	-	-	-	-	-
Total	**2,098,765**	**(19,338)**	**2,079,427**	**34,010,566**	**902,030**	**15,768,315**	**(644,720)**	**10,571,258**	**(14,779)**	**2,341,297**

At 31 December 2014 the Board of Directors of Grupo Cooperativo Cajamar has classified €2,372,773 thousand (€25,465 thousand at 31 December 2013) relating to the various capital amounts of the member entities of the Cooperative Group, except for the parent entity, as Group equity under the heading "Other equity instruments".

At 31 December 2014 and 2013 the share capital of all the Group Credit Cooperatives, in accordance with their respective bylaws, is classified in full under equity in their financial statements.

17.1.4. Share premium

No amount is recorded under this heading at 31 December 2014 or 2013 on the accompanying consolidated balance sheet.

17.1.5. Earnings per share

In accordance with IAS 33, set out below are the basic and diluted earnings per share of the parent entity at 31 December 2014.

Basic earnings per share are calculated by dividing the net profit for the year attributable to the Group by the weighted average number of outstanding shares for the year, excluding treasury shares.

Diluted earnings per share are calculated by dividing the net profit for the year attributable to the Group by the weighted average number of outstanding shares for the year adjusted for the dilution effect, this being the existence of convertible debt instruments and stock options. At 31 December 2014 the Group has not issued any instruments with a potential dilutive effect.

	Thousands of euros
	2014
Profit for the period attributed to parent	37,144
Weighted average number of shares	813,550
Basic earnings per share	**0.05**

	Thousands of euros
	2014
Profit for the period attributed to parent	37,144
Adjustments	-
Adjusted profit	**37,144**
Weighted average number of shares	813,550
Adjustments	-
Adjusted weighted average number of shares	**813,550**
Diluted earnings per share	**0.05**

17.1.6. <u>Parent Entity dividend and remuneration</u>

The parent entity may only pay dividends against profits for the year or its unrestricted reserves if the relevant legal or bylaw conditions have been met and equity is not less than share capital or does not fall below share capital due to the dividend payment, in accordance with Spanish Central Bank Circular 4/2004 and subsequent amendments. If there are prior-year losses that cause the Company's equity to be lower than the share capital figure, profits must be used to offset those losses.

17.1.7. <u>Remuneration on contributions capital of Group credit cooperatives</u>

The Group's Credit Cooperatives are empowered to determine the remuneration arrangement for the contributions to their own share capital in the parent entity Banco de Crédito Social Cooperativo, S.A., which establishes the maximum interest rate for those capital contributions. Complying with this maximum, the Entities are free to establish the rate of compensation that they consider best.

For cases where one or more Group entities do not make a positive contribution to the overall gross profit, the parent entity may agree a lower yield on share capital than that set as a maximum for the Group in general.

With respect to the shareholders of Group credit cooperatives, at 31 December 2014, the interest payment of the capital contributions amounted to €57,360 thousand, recognised in full against equity (€75,728 thousand at 31 December 2013). Lastly, in relation to members originating from Caja Rural del Mediterráneo, Sociedad Cooperativa de Crédito, at 31 December 2012 the Group had a payment obligation of €7,053 thousand, which was written off against equity in 2013 in the wake of the resolution ratified at the Ordinary General Assembly of Cajas Rurales Unidas, Sociedad Cooperativa de Crédito.

In addition, member entities have delegated to Banco de Crédito Social Cooperativo, S.A. the power to determine the distribution or application of profits, which will lay down the criteria for distribution within the legal and Bylaw limits. The Governing Bodies of the member entities put forward their proposals for the distribution of profits in compliance with the criteria in place. Before submitting the proposals to their general assemblies, they must obtain approval from the parent entity.

17.2. Reserves

Details of the "Reserves" caption under "Equity" on the accompanying consolidated balance sheets at 31 December 2014 and 2013 are as follows:

	Thousands of euros	
Accumulated reserves	2014	2013 (*)
Mandatory Reserve Fund	230,878	259,371
Voluntary Reserve Fund	10,538	9,765
Other reserves	(155)	82
Revaluation Reserves - Royal Decree-Law 7/1996	3,779	3,779
Revaluation Reserves generated by IFRS and Spanish Central Bank Circular 4/2004	66,896	66,896
Reserves for investment in Canarias	24,086	24,086
Consolidation Reserves	11,334	13,252
Adjustmens in gains and losses for pension plans	60	295
Total Accumulated reserves	**347,416**	**377,526**
Reserves (losses) in entities accounted for by the equity method		
Associates	10,555	6,038
Jointly-controlled entities	-	-
Total reserves (losses) in entities accounted for by the equity method	**10,555**	**6,038**
Total Reserves	**357,971**	**383,564**

(*)The figures for 2013 year end have been restated in accordance with the changes in accounting policies mentioned in Notes 2.5, 3.17 and 4.

17.2.1. Parent Entity reserves

a) Non-distributable legal reserve

The legal reserve is recorded in accordance with Article 274 of the Spanish Companies Act 2010. Under Article 274 of the Spanish Companies Act 2010, 10% of profits must be transferred to the legal reserve each year until it represents at least 20% of share capital. Until the legal reserve exceeds the limit indicated, it may be used to offset losses in the event that no other sufficient reserves are available.

At 31 December 2014 the parent entity did not record any balance under this account on the accompanying consolidated balance sheet.

b) Unrestricted reserves

At 31 December 2014, this account records a negative figure of €239 thousand relating to the parent entity's formation expenses.

17.2.2. Reserves in Group Credit Cooperatives

Reserves in the Group Credit Cooperatives at 31 December 2014 and 2013 break down as follows:

	Thousands of euros									
	Mandatory		Voluntary		Revaluation		Other (**)		**Total Reserves**	
Group´s entity	**2014**	**2013 (*)**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Cajas Rurales Unidas, Sociedad Cooperativa de Crédito	52,697	81,246	8,066	7,921	64,311	64,311	24,454	24,620	**149,528**	**178,098**
Caixa Rural de Torrent, Cooperativa de Crédito Valenciana	35,246	35,336	312	-	-	-	(105)	(160)	**35,453**	**35,176**
Caixa Rural de Altea, Cooperativa de Crédito Valenciana	23,266	23,308	-	-	-	-	(69)	(6)	**23,197**	**23,302**
Caja Rural San José de Burriana, Sociedad Cooperativa de Crédito	17,797	17,824	-	-	1,762	1,762	14	18	**19,573**	**19,604**
Caja de Crédito de Petrel, Caja Rural, Cooperativa de Crédito Valenciana	17,042	16,987	-	-	-	-	(1)	29	**17,041**	**17,016**
Caja Rural Católico Agraria, Sociedad Cooperativa de Crédito	14,889	14,824	99	-	2,611	2,611	(69)	(29)	**17,530**	**17,406**
Caja Rural de Callosa d'en Sarriá, Sociedad Cooperativa de Crédito	10,175	10,219	1,809	1,809	-	-	(3)	(6)	**11,981**	**12,022**
Caja Rural San Jaime de Alquerías del Niño Perdido, Sdad Coop de Crédito	9,583	9,613	-	-	-	-	4	22	**9,587**	**9,635**
Caja Rural de Cheste, Sociedad Cooperativa de Crédito	9,081	9,093	-	-	-	-	(10)	(10)	**9,071**	**9,083**
Caja Rural San José de Nules, Sociedad Cooperativa de Crédito	5,929	5,958	70	-	-	-	(2)	(8)	**5,997**	**5,950**
Caja Rural de Alginet, Sociedad Cooperativa de Crédito	6,244	6,244	-	-	-	-	(19)	(27)	**6,225**	**6,217**
Caixa Rural de Turís, Cooperativa de Crédito Valenciana	6,280	6,267	-	-	-	-	(13)	(15)	**6,267**	**6,252**
Caja Rural Sant Vicente Ferrer de la Vall D'Uixo	4,656	4,654	72	-	449	449	(18)	(25)	**5,159**	**5,078**
Caja Rural de Villar, Sociedad Cooperativa de Crédito	5,019	4,859	-	-	615	615	(5)	(9)	**5,629**	**5,465**
Caja Rural San José de Vilavella, Sociedad Cooperativa de Crédito	3,508	3,505	-	-	-	-	75	74	**3,583**	**3,579**
Caja Rural Albalat dels Sorells, Sociedad Cooperativa de Crédito	2,532	2,486	58	-	558	558	(8)	(3)	**3,140**	**3,041**
Caja Rural San Roque de Almenara, Sociedad Cooperativa de Crédito	2,366	2,370	37	20	368	368	(6)	(6)	**2,765**	**2,752**
Caja Rural San Isidro de Vilafamés, Sociedad Cooperativa de Crédito	2,245	2,249	-	-	-	-	(2)	(4)	**2,243**	**2,245**
Caja Rural La Junquera de Chilches, Sociedad Cooperativa de Crédito	2,322	2,327	15	15	-	-	11	10	**2,348**	**2,352**
Total Reserves	**230,878**	**259,370**	**10,538**	**9,765**	**70,674**	**70,674**	**24,228**	**24,465**	**336,318**	**364,274**

(*) The figures for 2013 year end have been restated in accordance with the changes in accounting policies mentioned in Notes 2.5, 3.17 and 4.
(**) Including pension plan actuarial gains and losses to be recognised in equity.

a) Mandatory reserve fund

The Mandatory Reserve Fund has the objective of consolidating and guaranteeing the Group. In accordance with Law 13/1989 on Credit Cooperatives amended by Law 27/99 (16 July) the allocation to the reserve represents at least 20% of the net surplus.

The Group credit cooperatives' by-laws stipulate that the Mandatory Reserve Fund will receive 20% of the surplus obtained each year (Note 1.4).

b) Restatement reserves Royal Decree-Law 7/1996, (7 June)

The balance of this heading showed no movement during 2014 and 2013 and it relates exclusively to the account "Revaluation Reserve Royal Decree-Law 7/1996", which derives from the restatement of some tangible assets in 1996 by the target company Caja Rural de Málaga, Sociedad Cooperativa de Crédito (Note 1.1). No amount was transferred during the years 2014 and 2013 to voluntary reserves.

As from the date on which the balance of the account "Revaluation reserve Royal Decree-Law 7/1996" has been examined and agreed by the tax authorities or after the three year period for its inspection has elapsed, it may be used to offset losses arising in the current year or previous or future years or to increase the Company's share capital without accruing tax. This balance may be taken to freely distributable reserves provided that the monetary capital gain has been realised. The surplus will be deemed to have been realised in respect of the portion relating to the depreciation that has been taken for accounting purposes or when the revalued assets have been transferred or written off the accounting records. If the balance of this account is applied in any manner not permitted by Royal Decree-Law 7/1996, the balance becomes subject to taxation.

In the opinion of the Group's Board of Directors, once the established period has elapsed, the entire balance of this reserve will be taken to the Voluntary Reserve.

This reserve may be used to increase share capital, in which case it will not accrue taxes.

c) The revaluation reserves generated by the new legislation

The balance of this account relates to the reserve generated for the restatement of property, plant and equipment carried out in accordance with the provisions of IFRS 1, and Transitional Provision One, section B, of Spanish Central Bank Circular 4/2004, and subsequent amendments, according to which at 1 January 2004 any item included under property, plant and equipment may be stated at fair value, subject to some conditions.

In 2014 no amount were transferred to voluntary reserves (€2,555 thousand in 2013).

d) Canary Island investment reserve

Under Law 19/1994, of July 6, corporations and other legal entities subject to corporate income tax are entitled to a reduction in the tax base, subject to a limit of 90% of undistributed profits, of the amount of their profits that they allocate to the creation of a Reserve for Investments in the Canary Islands. The amounts allocated to this reserve must be invested within a maximum period of four years from the date of accrual of the tax for the year in which it was created. The reserve must be invested in certain assets defined in the relevant legislation. The assets in which the reserve is invested must be held by the entity for a period of five years or over their useful lives, if less. The Group has investment plans which are sufficient to make the relevant investments within the envisaged time limits.

The Reserve for Investments in the Canary Islands will be unavailable for the duration of the period over which the relevant assets must be held.

At 31 December 2014, the Group recorded €17,500 thousand pending investment (€23,976 thousand at 31 December 2013). In 2014 and 2013 no investments have been made in advance against future appropriations to the Canary Island investment reserve.

17.2.3. Reserves in entities measured using the equity method

Details regarding the contribution of reserves from entities accounted for by the equity method at 31 December 2014 and 2013 is as follows:

	Thousands of euros	
	2014	**2013**
Cajas Rurales Unidas, S.C.C	10,074	4,347
Tino Stone Group, S.A.	(3,385)	(3,385)
Cultipeix, S.L.	(1,994)	(1,994)
Parque Innovación y Tecnología de Almería, S.A.	(1,741)	(1,016)
Cajamar Vida, S.A. de Seguros y Reaseguros	12,287	11,756
Apartamentos Media Luna S.L.	-	(55)
Balsa Insa, S.L.	(4,753)	(2,852)
Other associates	66	(764)
Total	**10,555**	**6,038**

18. Solvency

Current legislation (Note 1.4) stipulates that credit institutions must maintain minimum capital and reserve levels that cannot be less than those obtained as a result of applying the method established in the legislation. Compliance with the equity ratio takes place on the consolidated level, notwithstanding the fact that all of the credit institutions participating in the Cooperative Group meet the requirements established by Regulation (UE) 575/2013 on prudential requirements for credit institutions.

Eligible equity and capital requirements of the Cooperative Group at 31 December 2014 and the estimate made for 2013 under Regulation 575/2013 for said dates break down as follows:

	Thousands of euros	
	2014	**2013**
Elegible equity	**2,552,949**	**2,485,134**
CET 1 Capital	**2,403,329**	**2,422,020**
Common Equity Tier 1 items and instruments:	2,721,432	2,777,672
Capital	*2,395,424*	*2,341,297*
Accumulated reserves	*326,008*	*436,375*
Deductions	(318,103)	(355,653)
TIER 2 Capital	**149,620**	**63,115**
Solvency requirements	**1,733,648**	**1,761,840**
Credit Risk	1,596,901	1,617,277
Operative Risk	127,492	131,660
CVA	6,054	9,702
Securisations	3,201	3,201
Equity ratio	**11.78%**	**11.28%**

Excess Equity for 2014 and the estimate made under the Regulation for 2013 are presented below:

	Thousands of euros	
	2014	**2013**
Excess Equity Ordinary Level I Capital	1,428,152	1,430,985
Excess Equity Level I Capital	1,103,093	1,100,640
Excess Equity Total Capital	819,301	723,294

At 31 December 2014 the Group meets all minimum capital requirements specifically established by regulators and envisaged in current regulations.

At 31 December 2013 eligible equity and capital requirements were calculated under Spanish Central Bank Circular 3/2008 and subsequent amendments. A breakdown of is as follows:

	Thousands of euros
	2013
Capital adequacy	2,361,972
Tier two eligible capital	130,382
Credits	(69,289)
Total eligible capital base	**2,423,065**
Total eligible capital requirements	**1,716,519**
Eligible capital surplus/deficit	**706,546**
Solvency ratio	**11.3%**
Main capital figure	**2,327,327**
Main capital ratio	**10.9%**

Results of comprehensive assessment

On 26 October 2014 the results of the Comprehensive Assessment of European banks conducted by the European Central Bank (ECB) as a step preceding the entry into force on 4 November of the Single Supervisory Mechanism were published.

The Comprehensive Assessment involved a thorough review of the balance sheets and stress tests of the largest European banking groups. It lasted for a year and 26 national supervisory authorities were involved, together with the European Central Bank and the European Banking Authority. It is estimated that more than 6,000 persons were directly involved in the process.

The Comprehensive Assessment was presented with three main objectives:

1. Improve the quality of information available on credit institutions (transparency)

2. Identify and propose corrective measures for those institutions where they are necessary (repair)

3. Ensure solvency and reliability of credit institutions (trust)

The two main pillars of this process have been:

1. Asset Quality Review (AQR)

The objective of this first phase was to conduct a detailed review of bank balance sheets to determine, among other things, whether the classification of loans (standard/non-performing), provision levels and valuations of other assets were suitable.

To this end, the ECB conducted a review of major accounting policies, processes and criteria in the Bank covering areas related to the financing activity (treatment of refinanced operations, accounting system for provisions and definition of "non-performing") and also other areas such as consolidation and the measurement of financial instruments, including derivatives.

Subsequently, the ECB selected portfolios for taking samples, aiming to cover more than 50% of risk-weighted assets. In the Group's case, five portfolios were selected, in which 538 borrower files and 140 repossessed assets were reviewed.

The results obtained in this phase, which was supported by leading audit firms and subjected to detailed quality control by the ECB and the Spanish Central Bank, were taken into account in adjusting the maximum capital quality level (CET1) to be taken into consideration in setting the initial levels of the stress test, and therefore the final results of the stress test reflected the impacts identified over the year.

2. Stress Test

The second phase of the process was a stress test to examine bank balance sheets' capacity to withstand stress and, where appropriate, to identify potential capital needs in the entities being examined (Stress Test).

This stress test entailed: (i) preparing a three-year projection (2014 - 2016) of two macroeconomic scenarios: a base scenario approved by the European Commission and a stress scenario defined by the European Systemic Risk Board; (ii) applying a strict methodology to translate these scenarios into impacts on the balance sheet, income statement and the solvency of financial institutions; and (iii) comparing the resulting solvency with a minimum grade set by the supervisor, under which it would be necessary to present a recapitalization plan in a short period of time; a minimum capital threshold of 8% was set for the base scenario and 5.5% for the stress scenario.

The consolidated balance sheets at end 2013 were used as a basis for the test and a "bottom-up" approach was applied, which meant applying the methodology defined by the EBA at the most elementary granularity level of the Group's portfolio, including all lending activity and exposure to sovereign and corporate debt, in subsidiaries and in and real estate assets. The main credit, market, counterparty and real estate asset risks were thus analysed.

The work was carried out using detailed templates aimed at ensuring fairness in the testing process. As in the previous stage, quality control was implemented by the ECB and the Spanish Central Bank.

Test results

According to the results published for each of the 128 largest European institutions subject to the comprehensive evaluation, 25 entities with aggregate capital needs of €25,000 million failed. Taking into account the corrective actions undertaken in 2014, this deficit was reduced to €9,500 million, spread among 13 institutions.

Grupo Cooperativo Cajamar passed the test with a broad margin over the established minimum figures, attesting to the resilience of the Group's balance sheet and income statement even in extremely adverse and unlikely scenarios.

In relation to the partial results of the AQR, provision shortfalls were identified for a total gross amount (before the tax effect) of €298 million, distributed as follows:

- Derived from individual analysis of borrower files: €60 million.
- Derived from the projection of results of the individual analysis: €17 million.
- Derived from the collective provisioning challenger model: €221 million.

Of these, only the first point concerning the shortfalls identified in the individual analysis of customer files has an impact on the income statement. The shortfalls derived from the projected results and collective provisioning model were only used to adjust the level of CET1 to be applied in setting the starting levels for the stress test.

During 2014, the Grupo Cooperativo Cajamar analysed the status of all individual files in which shortfalls had been identified, updating their status in cases where additional information became available and accounting for shortfalls that continue to exist, so that at the year - end there were no borrowers analysed for which coverage was still insufficient.

Neither in the Comprehensive Assessment nor in the estimate of the necessary provisions in the annual accounts for 2014; were certain surpluses identified in the AQR taken into account, even though these surpluses amounted to €136 million, distributed as follows:

- Derived from the projection of results in individual analyses of the developers' portfolio: €66 million.
- Derived from the analysis of the portfolio of foreclosed properties: €54 million.
- Derived from the challenger collective provisioning model: €16 million.

Concerning the final results for the year of the Grupo Cooperativo Cajamar:

1. In the base scenario, the Group's profits reached 10.2% of CET1 capital, 2.2 percentage points above the minimum set at 8%, representing an excess of €515 million.

2. Concerning the stress scenario, the lower limit to be surpassed by institutions to avoid having to submit a recapitalization plan was 5.5% of CET1, while the final result for Grupo Cooperativo Cajamar was 8.0% with a margin in this case of 2.5 percentage points, representing €592 million of CET1 above the threshold required by the test.

The final results of Grupo Cooperativo Cajamar are summarised in the following table:

Comprehensive Assessment Results

B1	**CET1 Ratio at end-2013 including undistributed profits/losses for 2013** **B1 = A6**	%	**11.00%**
B2	Aggregate adjustments due to AQR results	Basis points variation	**(105)**
B3	**CET1 Ratio following AQR adjustments** *B3 = B1+B2*	%	**9.95%**
B4	Aggregate adjustments due to the results of the Stress Test base scenario performed jointly by the EBA and BCE for the lowest level of capital with a 3-year time frame	Basis points variation	**22**
B5	**CET1 Ratio adjusted after base scenario** *B5 = B3 + B4*	%	**10.17%**
B6	Aggregate adjustments due to the results of the Stress Test stress scenario performed jointly by the EBA and BCE for the lowest level of capital with a 3-year time frame	Basis points variation	**(196)**
B7	**CET1 Ratio adjusted after stress scenario** *B7 = B3 + B6*	%	**7.99%**

19. Measurement adjustments to equity

The balance of this heading relates to the account "Available-for-sale financial assets" in the accompanying consolidated balance sheets and records the net amount of changes in the fair value of the assets classified as available for sale that, in accordance with Note 3.1, must be included as part of the Group's equity (Note 7.4.d).

The movement during the years 2014 and 2013 is as follows:

	Thousands of euros	
	2014	**2013**
Opening balance	**9,775**	**(12,929)**
Net changes in the fair value of debt securities	263,952	141,254
Net changes in the fair value of equity instruments	14,861	3,080
Sale of available-for-sale debt securities	(254,525)	(122,132)
Sale of available-for-sale equity instruments	(9,908)	(1,074)
Net changes of entities accounted for by the equity method	2,866	1,576
Closing balance	**27,021**	**9,775**

Changes in the fair value of debt securities relate to the recognition of fair value, net of the tax effect, of fixed-income securities and the changes in the fair value of equity instruments relates to restatements, net of the tax effect, of equity instruments measured at fair value.

The breakdown of valuation adjustments by Group Company at 31 December 2014 and 31 December 2013 is as follows:

	Thousands of euros	
	2014	**2013**
Cajas Rurales Unidas, S.C.C	17,710	5,003
Sunaria Capital, S.L.	209	-
Cajamar Vida, S.A. de Seguros y Reaseguros (*)	3,619	1,262
Cajamar Seguros Generales, S.A. (*)	649	140
Caixa Rural Albalat Dels Sorells C.C.V.	-	-
Caja de Crédito de Petrel,Caja Rural, C.C.V.	115	150
Caixa Rural de Turís C.C.V.	25	(12)
Caja Rural de Alginet, S.C.C.V.	143	224
Caja Rural San Roque de Almenara, S.C.C.V.	13	12
Caja Rural San Jaime de Alquerias Niño Perdido, C.C.V.	(5)	(6)
Caixa Rural Altea, S.C.C.V.	7	5
Caja Rural San Jose de Burriana, C.C.V.	1,835	1,041
Caixa Rural de Callosa de Sarria, C.C.V.	4	7
Caja Rural de Cheste, S.C.C.	68	92
Caja Rural la Junquera de Chilches, C.C.V.	(86)	4
Caja Rural San José de Nules, S.C.C.V.	219	184
Caja Rural de Torrent, S.C.C.	881	935
Caja Rural San Isidro de Vilafamés, C.C.V.	-	1
Caixa Rural Sant Josep de Vilavella, S.C.C.V.	881	589
Caja Rural de Villar, C.C.V.	-	(50)
Caixa Rural Sant Vicent Ferrer de la Vall D'Uixo, S.C.C.V.	554	212
Caixa Rural Vila-Real, S.C.C.	180	(18)
Total	**27,021**	**9,775**

(*) See measurements adjustments to equity Note 10.

20. Minority interests

Details of this caption on the accompanying consolidated balance sheets at 31 December 2014 and 2013 are as follows:

	Thousand of Euros	
	2014	**2013**
Parque industrial Acceso Sur, S.L.	595	620
Total	**595**	**620**

21. Contingent risks and commitments

Contingent risk

The breakdown of contingent risks at the end of 2014 and 2013, the nominal values of which are recorded in memorandum accounts, is set out below:

	Thousands of euros	
	2014	2013
Guarantees:		
Financial sureties	238,862	235,963
Other financial guarantees	-	-
Assets earmarked for third-party obligations	-	-
Irrevocable letters of credit:		
Issued	18,115	12,619
Confirmed	-	-
Additional settlement guarantee	-	-
Other granted sureties and securities	371,978	480,664
Other contingent exposures	-	15,249
Total	**628,955**	**744,495**

A significant part of these amounts will mature without any payment obligation arising for the Group and therefore the sum of the balances relating to these commitments cannot be considered as an actual future need for financing or liquidity to be granted to third parties by the Group.

The revenues obtained from guarantee instruments are recorded under the heading “Commissions received in the consolidated income statement and are calculated by applying the rate established in the relevant contract to the nominal amount of the guarantee. The commissions yet to accrue in 2014 and 2013 totalled €42,903 and €40,765 thousand, respectively (Notes 7.8.f and 15).

The present value of future flows yet to be received for these contracts is €42,663 thousand in 2014 and €35,077 thousand in 2013.

The hedge for future payments associated with the financial items in the account "provisions for contingent risks and liabilities" on the liability side of the balance sheet totals as of 31 December 2014 and 2013 totalled €28,836 and €16,701 thousand, respectively (Note 13).

Contingent commitments

This item records the irrevocable commitments to provide financing in accordance with certain preestablished conditions and deadlines. All credit commitments held by the Cooperative Group are immediately available.

The details of the "Lines drawable by third parties" (Note 6.2.d) and "Other contingent commitments" for 2014 and 2013 grouped by counterparty and indicating the limit and amount pending liquidity are as follows:

	Thousand of Euros			
	2014		2013	
	Limit	Available	Limit	Available
Available for third parties				
Credit institutions	-	-	-	-
Spanish Public Administrations	1,321,850	353,144	948,421	155,940
Other resident sectors	30,675,196	1,687,810	34,506,138	1,447,185
Non-resident public administration	194,520	3,244	209,958	3,473
Total	**32,191,566**	**2,044,198**	**35,664,517**	**1,606,598**
Commitments of hire-purchase of financial assets	-	-	-	-
Suscribed securities with pending payment	-	1,554	-	3,514
Other contingent commitments	-	299,072	-	91,940
Total contingent commitments	**32,191,566**	**2,344,824**	**35,664,517**	**1,702,052**

The average interest rate offered for these commitments is 2.86% in 2014 (4.9% in 2013).

22. Related party transactions

In the case of risk transactions involving related parties, the Group has developed procedures for the granting, authorisation and monitoring of this type of transactions using transparent criteria included in the *Credit Risk Control and Management Procedures and Policies Manual* (Note 6).

In 2014 and 2013 no significant transactions were carried out and none took place under non-market conditions with parties related to the Group.

At 31 December 2014 and 2013, the Parent's balances generated as a result of transactions with associated parties are as follows:

	Thousands of euros							
	Associates		Other related entities		Board Members and Directors			
					Direct		Indirect	
	2014	2013	2014	2013	2014	2013	2014	2013
ASSETS								
Loans	31,083	31,153	101,248	103,097	13,362	14,924	138,764	51,726
Deposits to Group Entities	-	-	-	-	-	-	-	-
Credit risk hedges (-)	(12,416)	(8,799)	(55,853)	(5,950)	(100)	(433)	(2,475)	(2,207)
Investments	-	27,035	71,447	67,916	-	-	-	-
Investment provisions (-)	-	(2,713)	(32,834)	(29,359)	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-	-
LIABILITIES								
Term deposits	68,380	45,880	-	13,562	11,415	11,211	45,755	39,728
Deposits with group entities	-	-	-	-	-	-	-	-
Other demand deposits	47,965	49,820	3,671	42,309	4,192	3,622	25,316	13,786
MEMORANDUM ACCOUNTS								
Financial guarantees	2,839	188	37,564	3,240	170	7	7,091	98
Available	316	702	1,172	57,694	440	480	129,749	1,683
GAINS AND LOSSES								
Income:								
Interest and similar income	501	8	400	2,625	289	355	2,905	1,338
Income from variable income portfolio	-	-	-	-	-	-	-	-
Fee and commission income	106	56	78	669	35	24	567	269
Other products	4	2,412	10	-	-	-	2	-
Expenses:								
Interest and similar charges	1,118	732	76	2,129	221	210	958	1,157
Fee and commission expense	-	-	-	-	1	-	6	-
Other expenses	-	1	-	-	-	-	-	-

Details of credit risks and off-balance sheet exposures assumed at 31 December 2014 and 2013 with parties related to the Group are as follows:

	Thousands of euros	
Outstanding balances	Related Parties	
	2014	2013
Loans:		
Amount	463,798	205,824
Interest rate	0.08% a 11.50%	0.99% a 9.00%
Guarantee	Personal and mortgage	Personal and mortgage
Term to maturity	1 a 39 years	1 a 40 years
Deposits:		
Amount	206,694	288,807
Interest rate	0.00% a 3.50%	0.00% a 5.00%
Term to maturity	1 a 36 months	1 a 24 months

23. Compensation for the Governing Body and Executives

During 2014 two Cooperative Groups have coexisted in relation to the entities forming part of the consolidation group. Banco de Crédito Social Cooperativo, S.A, succeeded to Cajas Rurales Unidas, Sociedad Cooperativa de Crédito as the Group's parent entity and therefore the remuneration earned by the members of the Board of Directors of Banco de Crédito Social Cooperativo, S.A and the Governing Body of Cajas Rurales Unidas, Sociedad Cooperativa de Crédito are disclosed together with the directors of both entities. Information is therefore disclosed on both entities, in accordance with the following breakdown:

A) The members of the Governing Body of Cajas Rurales Unidas, Sociedad Cooperativa de Crédito in 2014 were the following:

Juan De La Cruz Cárdenas Rodríguez
Manuel Yebra Sola
Joan Bautista Mir Piqueras
Jerónimo Molina Herrera
Pascual Ricardo Candel Martínez
Juan Carlos Rico Mateo
Antonio Luque Luque
Francisco Lorente Brox
Francisco Góngora Cañizares
Luis Robledo Grau
María Gador Villalobos Mejía
Francisco Martínez-Cosentino Justo
Carlos Pedro de la Higuera Pérez
Francisco Javier Ramírez Arceo
Maria Luisa Trinidad García
Gregorio Sánchez Prieto

Per diems received by the above parties were as follows:

	Thousands of euros	
	2014	2013
Juan De La Cruz Cárdenas Rodríguez	28	31
Manuel Yebra Sola	2	31
Jerónimo Molina Herrera	58	66
Pascual Ricardo Candel Martínez	28	48
Francisco Góngora Cañizares	9	19
Francisco Lorente Brox	30	45
Luis Robledo Grau	27	36
María Gador Villalobos Mejía	9	20
Francisco Martínez-Cosentino Justo	7	17
Carlos Pedro de la Higuera Pérez	27	35
Francisco Javier Ramírez Arceo	9	18
Juan Carlos Rico Mateo	-	11
Maria Luisa Trinidad García	8	17
Joan Bautista Mir Piqueras	-	-
Antonio Luque Luque	1	40
Gregorio Sánchez Prieto	8	9

The Directors of Cajas Rurales Unidas, Sociedad Cooperativa de Crédito during 2014 were the following:

Francisco Javier Rodríguez Jurado
Bernabe Sánchez Minguet Martínez
Jose Luis Heredia Celdrán
Rafael García Cruz
Antonio de Parellada Durán
Francisco de Borja Real De Asua Echavarria
Bartolomé Viudez Zurano
Ildefonso E. Pastrana Sánchez-Crespo
Manuel Villegas Rodríguez
Francisco José Andujar Lázaro
Iñigo González Garagorri
María López Fernández
Mercedes Aranda Ibañez
Alfonso Hernández Calpena
Juan Miguel Lostao Boya
Luis Rodríguez Gonzalez

The entity regards Directors as the members of the Management Committee.

Remuneration earned for all items by the above persons in 2014 was as follows:

	Thousands of euros					
	Fees	Diems	Fixed remuneration	Social Security expenses	Post-employment benefits	Other remuneration (*)
Members of Governing Board	-	251	791	58	3	34
Directors	-	-	1,198	98	39	54
Total	**-**	**251**	**1,989**	**156**	**42**	**88**

(*) Variable retribution, Benefits-in-kind and other justified expenses

Termination commitments: There are contractual guarantees in the event of unfair dismissal or equivalent termination, guaranteeing minimum benefits of up to four years' salary.

For strictly informative and comparative purposes, taking into consideration the far-reaching organisational changes that have taken place in the Entity, to ease comprehension of this section the table contained in the 2013 annual accounts is set out below:

		Thousands of euros			
	Nº of people	Fixed remuneration	Other remuneration	Social Security expenses	Post-employment benefits
Directors	6	1,154	107	68	1,381
Members of the Governing Board	5	1,107	209	57	-
Total	**11**	**2,261**	**316**	**125**	**1,381**

B) The members of the Board of Directors of Banco de Crédito Social Cooperativo, S.A. during 2014 were the following:

Luis Rodríguez González
Marta de Castro Aparicio
Manuel Yebra Sola
Juan Carlos Rico Mateo
Antonio Luque Luque
Joan Bautista Mir Piqueras
José Antonio García Pérez
Francisco de Oña Navarro
Eduardo Baamonde Noche
Vicente Francisco Imbroda Santamaría

Attendance fees received by the above persons are as follows:

	Thousands of euros
Luis Rodríguez González	65
Manuel Yebra Sola	86
Marta de Castro Aparicio	146
Juan Carlos Rico Mateo	36
José Antonio García Pérez	33
Eduardo Baamonde Noche	66
Joan Bautista Mir Piqueras	37
Antonio Luque Luque	41
Francisco de Oña Navarro	72
Vicente Francisco Imbroda Santamaría	22

The Directors of Banco de Crédito Social Cooperativo, S.A. during 2014 were the following:

Francisco Javier Rodríguez Jurado
Bernabe Sánchez Minguet Martínez
Rafael García Cruz
Antonio de Parellada Durán
Francisco de Borja Real De Asua Echavarria
Manuel Villegas Rodríguez
Francisco José Andujar Lázaro
Iñigo González Garagorri
María López Fernández
Mercedes Aranda Ibañez
Alfonso Hernández Calpena

The entity regards Directors as the members of the Management Committee.

Remuneration earned for all items by the above persons in 2014 was as follows:

	Thousands of euros					
	Fees	**Diems**	**Fixed remuneration**	**Social Security expenses**	**Post-employment benefits**	**Other remuneration (*)**
Members of Board of Directors	457	146	475	21	-	35
Directors	-	-	1,023	82	50	211
Total	**457**	**146**	**1,498**	**103**	**50**	**246**

(*) Other remuneration (variable or in kind) and expenses.

At 31 December 2014, post-employment benefits consist of payments related to commitments in respect of pensions and life insurance premiums, whether or not they are directly allocated to the beneficiary.

Termination commitments: There are contractual guarantees in the event of unfair dismissal or equivalent termination, guaranteeing minimum benefits of two to four years' salary.

24. Requirements regarding reporting transparency

In accordance with the RD 716/206 (24 April) (Note 1.4) which develops Law 2/1981 (25 March), the Governing Body declares that policies and explicit procedures exist which cover all the relevant aspects regarding the Mortgage Market and that those policies and procedures guarantee compliance with the applicable legislation.

Amongst the general credit operations admission policies, are regulated:

- The criteria as to consider that a risk is sufficiently guaranteed

- The maximum financed amount with respect to the properties in guarantee, depending on its nature

- The rules in determining property investments value, amongst which a valuation of the property investments is required. This valuation should be certified by an appraisal entity which should be officially approved by the Entity.

- The required criteria to officially approve the appraisal Entitiy

- The policies so as to measure the capacity of payment of the borrowers, from which the prudece outstands:

  - The ones taking into account eventual rises in installments due to the rise in interest rates.
  - The ones that end with the initial payment facilities included in some kinds of products, such as principal grace periods or increasing amortization systems.

- The credit operations admission frontier, that take into account the results in the capacity of payment evaluation

- The necessary documents for the application of the credit operations which should include:

  - Information about the capital wealth of the parties in the operation
  - Financial information that can lead to evaluate the capacity of generating resources from the parties.

In the general management and control of liquidity risk policies, rules exist that guarantee the existence of enough liquidity to always attend the payment obligations of the Group.

The nominal value of mortgage bonds and securities, issued by the Group at 31 December 2014 and 31 December 2013, rise up to €1,500,000 thousand and €2,000,000 thousand respectively (Notes 7.7.c and 7.7.d).

24.1 Information Regarding the Mortgage Market

The information regarding the special accounting registry for the mortgage loans issued by the Entity as well as de financial instruments and other operations related to the mortgage market is shown, in accordance with Law 2 /1981 (25 March) regulating the Mortgage Market, modified by Law 41/2007 (7 December) and in accordance with the information required by RD 716/2009 (24 April), whereby some aspects of the mentioned law are developed.

The nominal and updated value of the credit and mortgage loans that support the mortgage bonds and securities at 31 December 2014 and 31 December 2013 is as follows:

	Thousand of Euros	
	Nominal Value	
	2014	2013
1. Total loans	**25,975,876**	**27,299,744**
2. Collateralised mortgage bonds issued	**1,471,439**	**1,673,592**
Of which : Loans maintained in the balance	1,223,076	1,387,332
3. Mortgage transfer notes issued	**4,309,771**	**4,893,623**
Of which : Loans maintained in the balance	4,249,540	4,824,246
4. Loan securities plegded as security of funding recieved	**-**	**-**
5. Hipotecary loans that support the emission of mortgage loans (1 - 2 - 3 - 4)	**20,194,666**	**20,732,529**
Non eligible loans	8,377,186	8,243,896
They fulfil the requirementes to be eligible except the limit in article 5.1 of the RD 716/2009	2,888,529	3,080,734
Rest	5,488,657	5,163,162
Eligible loans	11,817,480	12,488,633
Non computable amounts	753,779	674,020
Computable amounts	11,063,701	11,814,612
Loans that cover motgage bond issues	-	-
Suitable loans for the hedging of securities issued	11,063,701	11,814,612

The information regarding the loans that support the mortgage bonds and securities issue, distinguishing those eligible for the years ending 31 December 2014 and 31 December 2013:

	Thousand of Euros			
	2014		2013	
	Pending principal	Eligible Operations	Pending principal	Eligible Operations
Origin of the operation	**20,194,666**	**11,817,479**	**20,732,529**	**12,488,633**
Originated by the Entity	18,078,222	10,162,440	18,578,225	10,782,851
Sobrogated from another operation	2,038,995	1,617,308	2,075,674	1,663,715
Rest of adquisitions	77,449	37,731	78,630	42,067
Denomination currency	**20,194,666**	**11,817,479**	**20,732,529**	**12,488,633**
Euro	20,194,666	11,817,479	20,732,529	12,488,633
Rest of currency	-	-	-	-
Payment situation	**20,194,666**	**11,817,479**	**20,732,529**	**12,488,633**
With up to date payments	13,654,533	9,451,051	13,839,270	9,759,168
Resto of situations	6,540,133	2,366,428	6,893,259	2,729,465
Average residual term	**20,194,666**	**11,817,479**	**20,732,529**	**12,488,633**
Up to 10 years	3,785,713	1,981,384	3,683,602	1,953,308
From 10 to 20 years	6,906,844	4,031,642	6,918,745	4,111,204
From 20 to 30 years	6,978,874	4,208,209	7,397,064	4,617,778
More than 30 years	2,523,235	1,596,244	2,733,118	1,806,343
Interest Rate	**20,194,666**	**11,817,479**	**20,732,529**	**12,488,633**
Fixed	676,406	375,966	766,532	430,392
Variable	17,241,317	10,543,462	18,496,248	11,450,350
Mixed	2,276,943	898,051	1,469,749	607,891
Purpose of the operation	**20,194,666**	**11,817,479**	**20,732,529**	**12,488,633**
Legal and natural persons using them for their business activity	8,523,994	3,343,848	9,088,269	3,874,084
of whom: with a property investment object	*3,410,251*	*1,079,854*	*3,925,036*	*1,478,562*
Homes	11,670,672	8,473,631	11,644,260	8,614,549
Guarantee type	**20,194,666**	**11,817,479**	**20,732,529**	**12,488,633**
Assets - finished buildings	**16,760,204**	**10,587,379**	**16,953,156**	**11,010,482**
Residential use	14,725,862	9,760,992	15,116,992	10,210,219
Of which: Social housing	*704,575*	*447,623*	*734,873*	*476,318*
Comertial use	121,708	29,384	164,608	54,939
Other assets	1,912,634	797,003	1,671,556	745,324
Assets - buildings in construction	**821,599**	**260,412**	**992,770**	**404,595**
Residential use	448,794	144,017	510,812	215,440
Of which: Social housing	*31,043*	*23,088*	*9,090*	*8,254*
Comertial use	86,673	10,316	82,368	22,985
Other assets	286,132	106,079	399,590	166,170
Land	**2,612,863**	**969,688**	**2,786,603**	**1,073,556**
Urbanized	1,077,049	251,487	1,294,495	325,471
Other assets	1,535,814	718,201	1,492,108	748,085

The nominal value of the available amounts (undrawn committed amounts), of the mortgage loans that support the issue of mortgage bonds and securities, differentiating those which are potentially eligible at 31 December 2014 and 31 December 2013 is as follows:

	Thousand of Euros	
	2014	2013
Potentially eligible	33,215	58,191
Not potentially eligible	89,995	71,289

The nominal value of all the mortgage loans and credits ineligible that fail with the limits established in RD 716/2009 (article 5.1) but however complies with all the rest of the requirements of the eligible, indicated in article number four of the RD, amounts 2,888,529 thousand Euros at 31 December 2014 (3,080,734 thousand Euros at 31 December 2013).

The following table shows, for the years ended at 31 December 2014 and 31 December 2013, the relationship between the mortgage loans and credits and the appraisal values corresponding to the last available valuation corresponding to the last available valuation of the respective mortgaged goods (Loan to value-LTV).

	Thousand of Euros					
	2014					
	LTV >= 40%	40%< LTV <= 60%	LTV >= 60%	60%< LTV <= 80%	LTV > 80%	Total
Upon housing	1,739,055	2,939,323	-	3,867,452	-	8,545,830
Upon rest of assets	1,605,732	1,665,488	-	429	-	3,271,649

	Thousand of Euros					
	2013					
	LTV >= 40%	40%< LTV <= 60%	LTV >= 60%	60%< LTV <= 80%	LTV > 80%	Total
Upon housing	1,674,513	2,929,419	-	4,343,262	-	8,947,194
Upon rest of assets	1,661,750	1,879,688	-	-	-	3,541,438

The movements in the mortgage portfolio supporting the issue of mortgage bonds and securities, distinguishing between eligible and ineligible is as follows:

	Thousand of Euros			
	Eligible Loans	Non Eligible Loans	Eligible Loans	Non Eligible Loans
	2014		2013	
Starting balance	**12,488,633**	**8,243,896**	**12,974,189**	**7,440,100**
Eliminations:	**1,572,049**	**1,520,092**	**2,236,295**	**1,423,997**
Maturity date	762,945	192,778	904,970	360,419
Early cancellation	229,581	153,972	289,005	160,937
Subrogation by another Entity	-	-	-	-
Other	579,523	1,173,342	1,042,320	902,641
Additions:	**900,894**	**1,653,382**	**1,750,739**	**2,227,793**
Originated by the Entity	317,751	978,370	245,382	898,709
Subrogation by another Entity	26,137	60,875	26,837	55,280
Other	557,006	614,137	1,478,520	1,273,804
Closing balance	**11,817,478**	**8,377,186**	**12,488,633**	**8,243,896**

The qualitative and quantitative information at 31 December 2014 and 2013, regarding assets received as payment of debts regarding the destiny of the initial granted financing is as follows:

	Thousand of Euros			
	2014		2013	
	Net book value (*)	Hedging	Net book value (*)	Hedging
Real-estate assets coming from the credit aimed for construction companies and property development	**1,093,988**	**430,980**	**1,008,666**	**1,521,921**
Finished buildings	*566,956*	*155,030*	*517,077*	*145,398*
Homes	482,817	115,560	439,801	109,936
Rest of finished buildings	84,139	39,470	77,276	35,462
Buildings in construction	*94,656*	*18,890*	*105,745*	*1,064,708*
Homes	93,071	17,859	103,559	33,146
Rest of finished buildings	1,585	1,031	2,186	1,031,562
Land	*432,376*	*257,060*	*385,843*	*311,815*
Urbanized	291,854	183,525	252,893	226,938
Other assets	140,522	73,535	132,950	84,877
Property coming from homebuilding credits to homes for property adquisition	**255,686**	**43,213**	**223,924**	**33,359**
Rest of foreclosed assets	**240,064**	**39,557**	**193,842**	**50,140**
Capital instruments, investments and financing to non consolidated societies helding assets	**54,107**	**77,324**	**56,174**	**77,423**

(*) Amount registered in balance, after deduction of amounts constituted for its hedging

The Group maintains policies and strategies related to the recuperation of liquidity of this kind of assets, which are collected and detailed in Note 6 of these annual accounts.

At 31 December 2014 and 31 December 2013 there are no assets subject to security issues.

All of the bond and securities issues have been made under no public offer, the aggregate nominal value qualified according to their residual maturity date at 31 December 2014 and 31 December 2013 is as follows:

	Thousand of Euros		Years	
	Nominal value		Average residual maturity date	
	2014	2013	2014	2013
Emitted mortgage loans	-	-	-	-
Securities issued	**4,500,000**	**7,100,000**	-	-
Of which: None registered in liabilities	1,750,000	3,101,500	-	-
Debt securities. Issued through public offer				
Residual maturity date up to a year	-	-	-	-
Residual maturity date more than one year and up to two years	-	-	-	-
Residual maturity date more than two years and up to three years	-	-	-	-
Residual maturity date more than three years and up to five years	-	-	-	-
Residual maturity date more than five years and up to ten years	-	-	-	-
Residual maturity date more than ten years	-	-	-	-
Debt securities. Rest of emissions	**3,000,000**	**5,100,000**		
Residual maturity date up to a year	-	1,100,000	-	-
Residual maturity date more than one year and up to two years	1,000,000	-	1	1
Residual maturity date more than two years and up to three years	750,000	2,000,000	3	3
Residual maturity date more than three years and up to five years	750,000	1,500,000	5	5
Residual maturity date more than five years and up to ten years	500,000	500,000	10	10
Residual maturity date more than ten years	-	-	-	-
Deposits	**1,500,000**	**2,000,000**		
Residual maturity date up to a year	700,000	500,000	-	-
Residual maturity date more than one year and up to two years	800,000	700,000	-	-
Residual maturity date more than two years and up to three years	-	800,000	-	-
Residual maturity date more than three years and up to five years	-	-	-	-
Residual maturity date more than five years and up to ten years	-	-	-	-
Residual maturity date more than ten years	-	-	-	-
Collateralised mortgage bonds	**1,471,439**	**1,387,276**		
Issued through public offer	-	-	-	-
Rest of emissions	1,471,439	1,387,276	15	16
Mortgage transfer notes issued	**4,309,771**	**5,467,342**		
Issued through public offer	-	-	-	-
Rest of emissions	4,309,771	5,467,342	17	17

At 31 December 2014 and 31 December 2013 no mortgage bond issue existed.

24.2 Information regarding construction, real estate and property purchase financing

The information required by the Spanish Central Bank, related to the informative transparency regarding construction, real estate and property purchase financing, as well as financing strategies and needs is detailed.

The details of the financing intended to real estate construction and promotion as well as its hedges at 31 December 2014 and 31 December 2013 is as follows:

	Thousand of Euros					
	Gross amount		Excess over guarantee value		Specific Hedging	
	2014	2013	2014	2013	2014	2013
Resgistered credit by the credit Entities of the Group (businesses in Spain)	**3,584,120**	**4,228,710**	**1,492,170**	**1,651,522**	**1,592,317**	**1,592,317**
Of which: Doubtful	2,704,637	3,060,546	1,262,374	1,322,544	1,363,592	1,351,335
Of which: Sub-prime	269,008	537,930	86,557	198,243	43,599	72,738
Memorandum item:						
Total general hedging (total businesses)	132,762	26,581	-	-	-	-
Failed assets	398,700	163,701	-	-	-	-

	Thousand of Euros	
	Net book value	
	2014	**2013**
Loans and advances to other debtors excluding Public Administrations (Businesses in Spain)	29,223,461	33,273,082
Total consolidated assets (total businesses)	36,031,657	42,104,468

The gross amount, without taking into consideration impairment adjustments, of the operations classified by its associated guarantee at 31 December 2014 and 31 December 2013 has the following breakdown:

	Thousand of Euros	
	2014	**2013**
Without mortgage security	**167,582**	**297,071**
With mortgage security	**3,416,538**	**3,931,639**
Finished buildings	*1,523,692*	*1,651,651*
Homes	1,221,406	1,423,614
Rest of finished buildings	302,286	228,037
Buildings in construction	*824,135*	*998,238*
Homes	448,794	510,812
Rest of finished buildings	375,341	487,426
Land	*1,068,711*	*1,281,750*
Urbanized	955,736	1,172,482
Other assets	112,975	109,268
Total	**3,584,120**	**4,228,710**

The detail of retail loans for the adquisition of housing at 31 December 2014 and 31 December 2013 is as follows:

	Thousand of Euros			
	2014		2013	
	Gross amount	Of which: doubtful	Gross amount	Of which: doubtful
Credit for acquisition of home	**13,622,878**	**867,392**	**15,429,443**	**966,853**
Without mortgage security	77,657	10,418	3,524	571
With mortgage security	13,545,221	856,974	15,425,919	966,282

The Loan to Value (LTV) ranges for the retail mortgage portfolio at 31 December 2014 and 31 December 2013 is as follows:

	Thousand of Euros					
	2014					
	LTV≤ 40%	40% < LTV≤ 60%	60% < LTV≤ 80%	80< LTV <= 100%	LTV> 100%	Total
Credit for property acquisitions with mortgage guarantee	2,403,448	4,457,548	4,934,696	834,414	915,115	13,545,221
Of which: doubtful	38,400	115,903	332,147	172,384	198,140	856,974

	Thousand of Euros					
	2013					
	LTV≤ 40%	40% < LTV≤ 60%	60% < LTV≤ 80%	80< LTV <= 100%	LTV> 100%	Total
Credit for property acquisitions with mortgage guarantee	2,750,022	4,828,847	5,935,286	935,426	976,338	15,425,919
Of which: doubtful	47,081	141,866	389,663	192,262	195,410	966,282

24.3 Quantitative information related to the financing needs and strategies

The Assets and Liabilities Committee (ALCO) is responsible for the management of the liquidity of the Group. The principles, instruments and limits in which risk management is based are described in Note 6- Risk Management.

At 31 December 2014 has closed with a hedging level of the retail and medium and long term loan portfolio of 92.8% (compared to 95.4% for 2013), while financing needs are covered in an amount of 101.3% (103.9% for 2013) through stable financing sources.

In 2014 the Group has not issued any bonds on the wholesale markets. In this period two mortgage bond issues have matured, amounting to a nominal of €1,600 million, of which €351.5 million was withheld for use as collateral in financing operations with the European Central Bank.

In addition, three issuances that were withheld in full for use as collateral in refinancing operations of the Eurosystem have been redeemed in advance. Two of these issuances related to mortgage bonds, amounting to a nominal value of €1,000 million and one to territorial bonds with a nominal value of €220 million.

Concerning asset securitisation, the only movements have been the regular ordinary amortisation of outstanding issues recorded by the Group (redemption of net bond issuances).

On the other hand the Group maintains liquid assets (eligible for financing operations with The Europan Central Bank) for €6,110 million of nominal value, as a colleteral financial instruments issuance capacity (securities issues and territorial bonds issues) which exceeds €4,678 million.

The breakdown of the information regarding the financial needs and strategies at 31 December 2014 and 31 December 2013 is as follows:

	Thousand of Euros			Thousand of Euros	
	2014	2013		2014	2013
Stable funding necesities			**Stable fund sources**		
Loans and advances to other debtors	26,765,504	26,442,666	Clients covered at 100% by the G.F.D.	15,595,399	15,646,859
Credit to Entities of the Group andrelated	239,416	140,855	Clients not covered at 100% by the G.F.D.	9,552,789	9,036,949
Securitised assets	5,903,083	6,904,775			
Specific funds	(2,760,635)	(2,744,718)			
Foreclosed assets	1,589,738	1,318,265			
Total loans and advances to other debtors	**31,737,106**	**32,061,843**	**Total loans to retail clients**	**25,148,188**	**24,683,808**
Investments	**64,380**	**57,427**			
			Bond and securities issued	2,750,000	3,998,500
			Regional bonds	-	-
			Senior Debt	-	-
			Issues endorsed by the State	-	-
			Subordinated, preferenced andconvertibles	138,300	138,300
			Other financial instruments at mediumand long term	-	-
			Securisations sold to third parties	1,401,614	1,773,571
			Other funding with maturity date overa year	2,918	3,404
			Commercial paper	-	-
			Long term wholesale funding	**4,292,832**	**5,913,775**
			Equity (*)	**2,760,792**	**2,711,232**
Total fund necesities	**31,801,486**	**32,119,270**	**Total stable fund sources**	**32,201,812**	**33,308,815**

(*) The figures for 2013 year end have been restated in accordance with the changes in accounting policies mentioned in Notes 2.5, 3.17 and 4.

The maturity detail of the wholesale debt at 31 December 2014 is as follows:

	Thousand of Euros			
	2015	2016	2017	>2017
Issue:				
Bonds and mortgage bonds	700,000	1,300,000	-	750,000
Mortgage Bonds	-	-	-	-
Senior debt	-	-	-	-
Issues guaranteed by the State	-	-	-	-
Subordinated, prefent and convertible securities	138,300	-	-	-
Securizations sold to third parties	166,173	170,734	155,157	909,551
Other financial instruments at medium and long term	486	486	486	1,459
Commercial paper	-	-	-	-
Total maturity of corporate issues	**1,004,959**	**1,471,220**	**155,643**	**1,661,010**

Liquid assets and the emission capacity available at 31 December 2014 and 31 December 2013 are as follows:

	Thousand of Euros	
	2014	2013
Liquid Assets		
Eligible Assets (nominal value)	**6,110,301**	**12,756,957**
Eligible Assets (fair value and ECB adjustment)	5,496,232	10,830,020
Of which:		
debt with central public administration	*601,590*	*5,059,339*
Pledged Assets (fair value and ECB adjustment)	4,588,505	7,269,783
None- pledged Assets (fair value and ECB adjustment)	907,727	3,560,237
Issue Capacity		
Mortgage bonds	4,351,012	2,354,605
Territorial bonds	327,466	21,793
Issues guaranteed by the State	-	-
Total issueance capacity	**4,678,478**	**2,376,398**

24.4 Disclosures regarding refinanced and restructured transactions

The Spanish Central Bank issued Circular 6/2012, on public and confidential reporting requirements and financial statement templates on 2 October 2012, thereby amending Circular 4/2004 of 22 December.

In 2013, the Spanish Central Bank issued additional guidance on how to comply with Circular 6/2012 with respect to the identification and classification of refinancing transactions. As a general rule, these transactions are to be classified as 'sub-standard' transactions, unless there are objective circumstances warranting their reclassification as 'doubtful' or 'normal' or performing exposures (essentially considerations such as the probability of collecting the amounts owed, or otherwise, the provision of additional guarantees/collateral, grace periods, etc.). In 2014 the Group has continue to check that it had formerly properly classified its refinanced and/or restructured transactions and how it had estimated the provisions covering those loans. This re-estimation has resulted in the recognition of an increase in provisions of €83,134 thousand in 2014 (€692,912 thousand in 2013).

The Group's policy is to use transaction refinancing, restructuring, renewal and renegotiation formulae as credit risk management tools which, if used astutely, help mitigate credit risk by means of individual transaction analysis with a view to rendering borrowers and transactions economically viable (Note 6.2.b.5).

Detail of operations of refinance, refinanced and restructured at 31 December 2014 and 2013, according to the content of Circular 6/2012 (September 28) of the Spanish Central Bank and the policies established by the Group is as follows:

Year 2014

Thousand of Euros

	Normal Situation						Substandard					
	Full mortgage asset backed security		Other secured loans		Without security		Full mortgage asset backed security		Other secured loans		Without security	
	Number of operations	**Gross amount**	**Number of operations**	**Gross amount**	**Number of operations**	**Gross amount**	**Number of operations**	**Gross amount**	**Number of operations**	**Gross amount**	**Number of operations**	**Gross amount**
Public Administrations	-	-	-	-	17	164,388	-	-	-	-	-	-
Other legal entities and individual entrepreneurs	3,745	606,176	95	40,020	4,050	274,716	2,278	526,338	99	30,957	3,302	292,174
Of which: Construction and real state financing	*283*	*113,251*	*8*	*6,349*	*65*	*19,146*	*302*	*172,303*	*11*	*12,405*	*119*	*36,959*
Other legal persons	10,030	938,941	295	34,906	8,193	173,833	5,649	599,747	648	87,389	7,337	216,066
Total	**13,775**	**1,545,117**	**390**	**74,926**	**12,260**	**612,937**	**7,927**	**1,126,085**	**747**	**118,346**	**10,639**	**508,240**

Thousand of Euros

	Doubtful							Total		
	Full mortgage asset backed security		Other secured loans		Without security		**Specific Hedge**			**Specific Hedge**
	Number of operations	**Gross amount**	**Number of operations**	**Gross amount**	**Number of operations**	**Gross amount**		**Number of operations**	**Gross amount**	
Public Administrations	-	-	-	-	5	3,025	-	22	167,413	-
Other legal entities and individual entrepreneurs	3,916	1,723,128	622	618,236	6,135	1,353,327	1,744,480	24,242	5,465,072	1,833,885
Of which: Construction and real state financing	*1,255*	*1,135,513*	*343*	*539,122*	*1,019*	*741,172*	*1,215,614*	*3,405*	*2,776,220*	*1,249,131*
Other legal persons	4,166	462,486	655	93,740	8,046	231,910	246,153	45,019	2,839,018	299,686
Total	**8,082**	**2,185,614**	**1,277**	**711,976**	**14,186**	**1,588,262**	**1,990,633**	**69,283**	**8,471,503**	**2,133,571**

Year 2013

Thousand of Euros

	Normal Situation						Substandard					
	Full mortgage asset backed security		Other secured loans		Without security		Full mortgage asset backed security		Other secured loans		Without security	
	Number of operations	Gross amount	Number of operations	Gross amount	Number of operations	Gross amount	Number of operations	Gross amount	Number of operations	Gross amount	Number of operations	Gross amount
Public Administrations	-	-	-	-	25	119,340	-	-	-	-	-	-
Other legal entities and individual entrepreneurs	4,244	658,539	46	5,208	6,813	381,136	2,351	723,007	28	3,084	2,435	366,032
Of which: Construction and real state financing	*360*	*120,352*	*6*	*2,159*	*237*	*22,272*	*649*	*387,834*	*4*	*641*	*258*	*112,718*
Other legal persons	11,427	1,065,621	58	2,386	11,788	262,514	3,435	395,522	38	1,743	3,331	190,846
Total	**15,671**	**1,724,160**	**104**	**7,594**	**18,626**	**762,990**	**5,786**	**1,118,529**	**66**	**4,827**	**5,766**	**556,878**

Thousand of Euros

	Doubtful							Total		
	Full mortgage asset backed security		Other secured loans		Without security		Specific Hedge			Specific Hedge
	Number of operations	Gross amount	Number of operations	Gross amount	Number of operations	Gross amount		Number of operations	Gross amount	
Administraciones Públicas	-	-	-	-	1	102	-	26	119,442	-
Resto de personas jurídicas y empresarios individuales	4,184	2,187,971	44	11,611	6,612	1,857,591	1,702,778	26,757	6,194,179	1,809,204
Del que: Financiación a la construcción y promoción inmobiliaria	*1,721*	*1,586,387*	*9*	*6,759*	*1,596*	*1,219,909*	*1,229,939*	*4,840*	*3,459,031*	*1,290,145*
Resto de personas físicas	3,853	444,368	25	1,748	7,392	271,462	208,049	41,347	2,636,210	241,233
Total	**8,037**	**2,632,339**	**69**	**13,359**	**14,005**	**2,129,155**	**1,910,827**	**68,130**	**8,949,831**	**2,050,437**

Detail of operations classified as default, after they had been refinanced or restructured, during 2014 and 2013 is as follows:

	Thousand of Euros	
	2014	**2013**
Public Administrations	-	-
Other legal entities and individual entrepreneurs	347,632	1,587,958
Of which: Construction and real state financing	*194,239*	*1,046,316*
Other legal persons	123,223	196,380
Total	**470,855**	**1,784,338**

On Note 6 of these financial statements, policies applied by the Group in terms of refinancing and restructuring operations, showing the measure and criteria used, can be seen.

25. Breakdown of the consolidated income statement

The most significant headings in the accompanying consolidated income statement at 31 December 2014 and 31 December 2013 are as follows:

- **Interest and similar yields, interest and similar charges and capital reimbursable on demand.**

Details of these captions on the accompanying consolidated income statements are as follows:

	Thousands of euros	
Interest and similar income	**2014**	**2013**
Deposits with central banks	316	1,289
Loans and advances to credit institutions	486	6,527
Money market operations through counterparties	3,128	1,625
Loans and advances to other debtors	855,360	969,552
Debt securities (Notes 7.4.3, 7.5.a, 7.6.c and 7.7)	73,830	189,282
Non-performing assets	6,341	7,690
Income adjustments due to hedging operations	-	-
Income from insurance contracts linked to pensions and similar obligations	-	-
Other interest:		
Income from Pension Plan assets (Note 13)	2,131	1,793
Other:	3,760	1,970
Total	**945,352**	**1,179,728**
Interest expenses and similar charges		
Deposits from central banks	(6,208)	(28,564)
Deposits from credit institutions	(35,590)	(51,674)
Money market operations through counterparties	(351)	(7,696)
Deposits from other creditors	(349,832)	(465,802)
Debt certificates including bonds	(71,654)	(52,165)
Subordinated liabilities (Note 7.8.e)	(7,475)	(7,039)
Expense adjustments due to hedging operations	60,851	61,797
Pension fund interest costs (Note 13)	(2,474)	(2,251)
Other interest	(4,305)	(639)
Total	**(417,037)**	**(554,033)**

- **Return on equity instruments**

The details of this caption on the consolidated income statements for 2014 and 2013 are as follows:

	Thousands of euros	
	2014	**2013**
Other equity instruments (Note 7.5.b.)	3,358	2,503
Total	**3,358**	**2,503**

- **Results in Entities measured under the equity method**

The contribution to profit or loss of entities accounted for using the equity method (Notes 2.7 and 10) on the consolidated profit and loss statements for 2014 and 2013 is as follows:

	Thousands of euros	
	2014	**2013**
Cajamar Vida, S.A. de Seguros y Reaseguros	13,318	10,597
Cajamar Seguros Generales, S.A.	979	-
Apartamentos Media Luna S.L.	516	327
Agrocolor S.L.	66	17
Parque de innovación y tecnológico de Almería	(525)	-
Balsa Insa S.L.	-	(1,901)
Rest of Associates	(22)	346
Total	**14,332**	**9,386**

- The heading **"Fee and Commissions income" and "Fee and Commissions expense"** in the accompanying consolidated income statement records the amount all commissions received and paid by the Group that accrued during the year, except for those that form part of the effective interest rate for financial instruments. The criteria followed to record these items in results are explained in Note 3.16.

The details of products generating fee and commission income or expenses during 2014 and 2013 are as follows:

	Thousands of euros	
	2014	**2013**
Fee and commission income		
From contingent exposure	17,952	9,089
From contingent commitments	10,254	11,177
From exchanges of currency and notes from foreign banks	1,077	1,045
From collection and payment services	207,546	207,113
From securities services	3,133	2,773
From the marketing of non-bank financial products	32,314	28,696
Other commissions	33,571	35,585
Total	**305,847**	**295,478**
Fee and commission expense		
Brokerage fees in asset and liability operations	-	-
Commissions ceded to other entities and agents	(22,309)	(25,326)
Commissions paid for securities operations	-	(12)
Other commissions	(1,372)	(252)
Total	**(23,681)**	**(25,590)**

- **Results from financial operations**

The details of this caption on the consolidated income statements for 2014 and 2013 are as follows:

	Thousands of euros	
	2014	**2013**
Portfolio held for trading	(15,353)	9,859
Other instruments at fair value with changes on profit and loss	25,739	15,915
Financial assets on sale (Notes 7.5.a and 7.5.b)	353,522	164,375
Credit investments	(436)	19,387
Investments to maturity	-	(11)
Financial liabilities at amortized cost	-	18,706
Accounting hedging not included in interests:		
Hedging derivatives	(58,104)	(67,393)
Covered balances	57,912	67,280
Other:		
Securiticised commissions written-off (Note 7.6.b.4)	3,996	6,080
Other	61	626
Total	**367,337**	**234,823**

- **Other operating revenues**

The details of this caption on the consolidated income statements for 2014 and 2013 are as follows:

	Thousands of euros	
	2014	**2013**
Income from investment properties (Note 11)	6,060	3,547
Income from tangible assets leased out under an operating lease	-	-
Sales and other income from the provision of non-financial services	11,651	16,843
Rest of operating income:		
Financial commissions to offset direct costs	10,786	8,557
Expenses included in assets	-	-
Compensation from insurance companies	672	47
Other recurring income	8,832	7,176
Other non-recurring income	4,728	2,225
Total	**42,729**	**38,395**

- **Other operating expenses**

The details of this caption on the consolidated income statements for 2014 and 2013 are as follows:

	Thousands of euros	
	2014	**2013 (*)**
Variation in inventories	26,086	9,142
Expenses from investment properties (Note 11)	(270)	-
Contribution to deposit guaranteed funds (Note 3.17)	(44,335)	(100,374)
Other operating expenses	(35,982)	(25,546)
Total	**(54,501)**	**(116,778)**

(*)The figures for 2013 year end have been restated in accordance with the changes in accounting policies mentioned in Notes 2.5, 3.17 and 4.

- **Personnel expenses**

The details of this caption on the consolidated income statements for 2014 and 2013 are as follows:

	Thousands of euros	
	2014	**2013**
Salaries and bonuses paid to active personnel	(259,412)	(262,603)
Social Security contributions	(73,804)	(73,001)
Contributions to define benefit plans (Note 13)	(2,013)	(1,726)
Contributions to define contribution plans (Note 13)	(323)	(346)
Compensation for termination of employment	(974)	(3,054)
Training expenses	(1,117)	(220)
Other personnel expenses	(4,315)	(3,971)
Total	**(341,958)**	**(344,921)**

The average number of employees at the individual level of the Parent Entity and the consolidated figure for the Cooperative Group, broken down by gender in accordance with Organic Law 3/2007 (22 March), is as follows:

	Individual		**Consolidated**	
	2014 (*)	**2013**	**2014**	**2013**
Average headcount				
Men	379	3,557	4,044	4,244
Women	447	2,949	3,532	3,493
Total	**826**	**6,506**	**7,576**	**7,737**

(*) Corresponding with new Parent Entity average headcount

The average number of employees at Grupo Cooperativo Cajamar, broken down by professional category, is as follows:

	2014		**2013**	
	Men	**Women**	**Men**	**Women**
Directors	17	3	28	4
Administrators and qualified managers	2,254	900	2,269	808
Administrative officers	1,244	1,733	1,307	1,588
Administrative assistants	480	861	588	1,056
Various	49	35	52	37
Total	**4,044**	**3,532**	**4,244**	**3,493**

The average number of employees in 2014 at the Cooperative Group that have a disability equal or exceeding 33% (or equivalent classification) is 130 (143 employees in 2013).

Benefits-in-kind granted to the Group's employees in 2014 and 2013 totalled €3,259 thousand and €1,608 thousand, respectively, and these benefits are included in the collective wage agreement and consist of loans granted at lower than market interest rates.

- **Other general administration expenses**

Details of this caption on the accompanying consolidated income statements are as follows:

	Thousands of euros	
	2014	**2013**
Property, fixture and tangible objects	(37,001)	(42,013)
IT	(12,476)	(15,393)
Communications	(12,441)	(14,465)
Advertising and publicity	(5,501)	(5,186)
Legal and lawyer expenses	(1,794)	(1,674)
Technical reports	(4,932)	(2,813)
Monitoring and fund transfer services	(6,759)	(6,924)
Insurance premiums and self-insurance	(1,525)	(1,966)
Governing and controlling bodies	(1,699)	(2,028)
Personnel representation and travelling expenses	(3,381)	(3,849)
Membership fees	(678)	(581)
Head office expenses charged to foreign branches	-	-
Outsourced administrative services	(28,179)	(9,922)
Contributions and taxes:		
For property	(3,856)	(4,109)
Other	(12,734)	(1,872)
Other expenses	(21,382)	(23,518)
Total	**(154,340)**	**(136,313)**

- **Allocations to provisions (net)**

Details of this caption on the accompanying consolidated income statements are as follows:

	Thousands of euros	
	2014	**2013**
Provisioning expenses (net)		
Provisions to pension funds and similar obligations (Note 13)	(6,978)	(1,467)
Provisions for taxes	-	1,536
Provisions for contingent exposures and commitments (Note 13)	(4,136)	(3,669)
Other provisions (Note 13)	(13,679)	(88,839)
Total	**(24,793)**	**(92,439)**

- **Impairment losses on financial and other assets (net)**

Details of this caption on the accompanying consolidated income statements are as follows:

	Thousands of euros	
	2014	**2013**
Financial Assets		
Loans and receivables (Note 7.6.b.5)	(600,324)	(258,599)
Debt securities - Loans and receivables	(538)	-
Financial instruments not measured at fair value through profit or loss (available-for-sale financial assets) (Notes 7.5.a and 7.5.b)	(4,918)	(10,821)
Total	**(605,780)**	**(269,420)**
Other assets		
Goodwill and other intangible assets	(474)	(496)
Other assets:		
Tangible assets (Note 11)	(2,513)	(4,384)
Rest of assets - inventory (Note 3.24 and 15)	(180,397)	(87,086)
Rest of assets - others (Note 7.6.b.5)	1,048	(9,393)
Total	**(182,336)**	**(101,359)**

- **Gain/ (loss) on the disposal of assets not classified as non-current assets for sale.**

The headings recorded on the accompanying consolidated income statements are analyzed below:

	Thousands of euros	
	2014	**2013**
Gains on sales		
Tangible assets (Note 11)	175	535
Investment properties (Note 11)	683	38
Assets awarded in foreclosure	411	2,847
Intangible assets	218,245	-
Investments	-	11,007
Other profits	16,464	6,771
Total	**235,978**	**21,198**
Losses in sales		
Tangible assets (Note 11)	(1,418)	(5,220)
Investment properties	(356)	(49)
Assets awarded in foreclosure (Note 9)	(273)	(934)
Investments	(456)	(35)
Other losses	(11,205)	(9,514)
Total	**(13,708)**	**(15,752)**
Gains (losses) on disposal of assets not classified as non-current assets held for sale	**222,270**	**5,446**

- **Gain/(loss) on non-current assets for sale not classified as discontinued operations**

Details of these captions on the accompanying consolidated income statements are as follows:

	Thousands of euros	
	2014	**2013**
Gains on sale		
Tangible assets (Note 11)	146	60
Investment properties	158	-
Assets awarded in foreclosure	5,903	7,493
Intangible assets	-	-
Total	**6,207**	**7,553**
Losses on sales		
Tangible assets	(2,695)	(385)
Investment properties	(72)	(8)
Assets awarded in foreclosure (Note 9)	(4,166)	(24,327)
Other losses	-	(873)
Total	**(6,933)**	**(25,593)**
Gains (losses) on non-current assets held for sale not classified as discontinued operations	**(726)**	**(18,040)**

- **Result attributed to minority shareholders**

Details of these captions on the accompanying consolidated income statements are as follows:

	Thousands of euros	
	2014	**2013**
Parque Industrial Acceso Sur S.L.	31	127
Total	**31**	**127**

26. Segment reporting

- **Segmenting by lines of business**

Grupo Cooperativo Cajamar core business is retail banking. There are no other major lines of business which require, in accordance with applicable legislation, that the Group segment and manage its operations through different lines.

- **Geographical segmenting**

Similarly, the Parent Entity and other companies that make up the Cooperative Group carry out their activities almost entirely in Spain and the type of customer is similar throughout Spain. Therefore the Parent Entity considers that there is a single geographical segment for Grupo Cooperativo Cajamar entire operation.

27. Other information

Investment services

The details of investment and complementary services by instrument type, indicating the amount of securities and other managed financial instruments and the commissions recorded on the consolidated income statements, are as follows:

	Thousands of euros	
Year 2014	**Client Resources**	**Commissions**
Intermediary Service (services managed by the Group)		
Investment Funds	642,253	2,826
Pension Funds and insurances	1,081,526	29,488
Total	**1,723,779**	**32,314**
Securities from third parties		
Subordinated liabilities	-	-
Equity instruments and Debt securities	1,671,344	3,133
Total	**1,671,344**	**3,133**

	Thousands of euros	
Year 2013	**Client Resources**	**Commissions**
Intermediary Service (services managed by the Group)		
Investment Funds	449,304	2,261
Pension Funds and insurances	980,211	26,435
Total	**1,429,515**	**28,696**
Securities from third parties		
Subordinated liabilities	-	-
Equity instruments and Debt securities	1,785,344	2,773
Total	**1,785,344**	**2,773**

External audit

The fees paid for the audit of the accounts and other services related to the Group, in 2014 and 2013, are as follows:

Year 2014	Thousands of euros			
Entity	Annual Accounts audit	Other services related to audit	Other services	Total
Pricewaterhousecoopers Auditores, S.L.	618	214	614	1,446
Other	51	-	-	51

Year 2013	Thousands of euros			
Entity	Annual Accounts audit	Other services related to audit	Other services	Total
Pricewaterhousecoopers Auditores, S.L.	720	408	948	2,076

Abandoned balances and deposits

In accordance with the matters indicated in Article 18 of Law 33/2003 (3 November) on public institution finances, the balances and deposits at the Group, in its capacity as a financial institution, that have been abandoned in accordance with that Article, totalled €11 thousand in 2014 (€41 thousand in 2013).

Customer Service

This section fulfils Article 17.2 of Order ECO/734/2004, on customer service departments and the customer ombudsman of financial institutions under which a summary of the annual report explaining the development of its functions by the Customer Service Department should be included in the annual report.

In compliance with Law 44/2002 (22 November) on Measures to Reform the Financial System, the Customer Ombudsman Regulations for Financial Services approved by Royal Decree 303/2004 (20 February), Order ECO/734/2004 (11 March) on Customer Service Departments and Customer Ombudsman services at financial institutions and other applicable legislation, Grupo Cooperativo Cajamar has a specialised Customer Service Department, that is independent from other sales and operating areas to attend to and resolve complaints and claims that may be filed by Group customers with respect to their interests and legally recognised rights.

Adherent to the Service are all of the forming entities in Grupo Cooperativo Cajamar in Annex II to the Regulation of the Group´s Client Defense, which rules the performance of the Service and that was approved by the Governing Bodies of the parent entity by the agreement of June 24, 2014. This forming entities were all the ones that integrated the Group as at December 31, 2014.

Noteworthy is the number of proceedings initiated in 2014 amounting to 4,063, including 728 files with the Spanish Central Bank Claims Department and 7 with the Investor Services Office of the National Securities Market Commission. No complaints or claims have been filed with the Directorate General for Insurance and Pension Plans.

The distribution of proceedings initiated in respect of claims against entities was as follows: (i) Cajas Rurales Unidas, 95.8%; (ii) Caixa Rural Torrent, 1.5%; (iii) Caixaltea, 0.7%; (iv) none against Banco de Credito Cooperativo, Caja Rural de Vilafames and Caixa Turis; and (v) 2% against the other 16 entities.

Continuing with that summary, noteworthy is the way in which such files were settled during the year: (i) 28% was in favour of the claimant compared with 47% in the previous year; (ii) 58% of issues analysed were settled in favour of the entity, compared with 46% in the previous year; (iii) the Department issued no decision on the claims filed in 13.5% of cases compared with 6.5% in 2013; and (iv) 0.5% of customers dropped their claims in 2014, the same as in the previous year.

Similarly noteworthy, following the classification laid down by the Spanish Central Bank in this respect, based on content matter: 38% of files settled related to deposit transactions, 34% to loans and advances, 9% to various products, 6% to other bank products, 7% to collection and payment services, 5% to insurance and pension funds and lastly 1% to investment services.

Finally, taking into account the reasons for claims also classified by the Spanish Central Bank, 36% of files settled by the Department affected fees and expenses, 7% the ex post service, 27% interest, 18% discrepancies in entries, 2% disagreement with the service ex ante, 4% other contractual clauses and lastly, 1% to data protection.

The decision criteria used by the Customer Service Department to resolve complaints and claims have been taken, mainly, for the criteria established by the Service and the result of claims made to the bodies supervising financial services, based on judgements regarding good practices and uses, the legislation that governs the transparency of banking operations and customer protection, and any other that is applicable to reach a correct and reasoned conclusion.

Information regarding the deferral of payments to suppliers

Law 15/2010, which amended Law 3/2004 on measures to combat default in business operations, was enacted on 6 July 2010. Subsequently, on 26 July 2013 Law 11/2013 was enacted and on 22 February 2013 Royal Decree-Law 4/2013 on measures to support entrepreneurship and to stimulate growth and job creation came into effect. Both laws make amendments to Law 15/2010. Finally, on 7 March 2014 Royal Decree-Law 4/2014 on urgent measures in respect of the refinancing and restructuring of corporate debt was enacted, which also includes certain clarifications in relation to the changes put forward in Law 11/2013 and Royal Decree-Law 4/2013.

Among other things, this legislation eliminates the possibility of "party agreements" regarding the extension of payments to suppliers as a result of the financial repercussions of the financial crisis in all sectors, which resulted in an increase in non-payments, delays and extensions in the settlement of invoices due and payable, which particularly affects small and medium-sized companies due to their dependence on short-term credit and cash limitations in the current economic context. In addition, to fight against these difficulties, the law establishes a general maximum period between companies of 60 calendar days after the date on which the goods or services are provided, which will enter into force on 1 January 2013. Up until that time a transitional system is in place with longer maximum legal deadlines that will progressively fall for those companies that have agreed longer payment periods.

Payments made, and the balance pending payment, to suppliers in 2014 and 2013 in accordance with Law 5/2010 as amended by Law 31/2014 in relation to the Cooperative Group's activity as regards the provision of various supplies and services other than payments to depositors are as follows:

	Thousand of Euros	
	2014	**2013**
Payments done within the maximun legal limit	335,656	375,072
Remainder	-	-
Total payments during the year	**335,656**	**375,072**
Exceeded weighted average period of payment in days	-	-
Balance due at end exceeding the maximum legal limit	-	-
Weighted average period of payment in days	-	-

Directors' duty of loyalty

In accordance with the provisions of Article 229 of Law 31/2014 which amended the Spanish Companies Act 2010 in order to improve corporate governance and in order to enhance the transparency of trading companies, the Directors have reported to the company that during 2014, they and the persons related to them, as defined in Article 231 of the Spanish Companies Act 2010:

- Have not carried out transactions with the Group, not taking into account ordinary operations conducted under standard business conditions and of little relevance, being understood as those not requiring disclosure for the purposes of presenting fairly the equity, financial position and the results of the entity.
- Have not used the Group's name or invoked their status as directors to improperly influence the performance of private operations.
- Have not made use of corporate assets, including confidential company information for private purposes.
- Have not taken advantage of the Group's business opportunities.
- Have not obtained benefits or remuneration from parties other than the Group or its associates in the performance of their duties, excepting cases of mere courtesy.
- Have not performed activities on their own account or for others that involved effective competition, whether specific or potential, with the Group or which otherwise placed them in a situation of ongoing conflict with the Group's interests.

28. Subsequent events

On 23 February 2015 the parent company of the Group increased capital by €186,450 thousand with a share premium of €7,000 thousand. The capital increase was performed by means of a cash contribution of €76,278 thousand and a non-cash contribution of €117,172 thousand formed exclusively by equity instruments. The increase was fully subscribed by Cajas Rurales Unidas, Sociedad Cooperativa de Crédito.

In March 2015 the parent entity of Grupo Cooperativo Cajamar and Cetelem España entered into an agreement to set up a joint business engaging in the marketing of consumer loans in Spain. The Company incorporated by these two entities, in which 49% of initial capital will be provided by Banco de Crédito Social Cooperativo, S.A. and 51% by Cetelem, will take the form of a credit institution with the corporate purpose of distributing personal loans and revolving credit lines (with or without cards).

Independent of the matters mentioned above and in these notes to the accounts, between 31 December 2014 and 31 March 2015, the date on which the Parent Entity's Board of Directors prepared these annual accounts, no significant event has taken place that must be included in the accompanying annual accounts to adequately present a true and fair view of the equity, financial situation, results from operations, changes in equity and the cash flows recorded by the Group.

Appendix I Breakdown of shareholdings at 31 December 2014

The details regarding the entities participating in the Group whose balance sheets and income statements are integrated using the full consolidation method are as follows:

				% shareholding		Thousand of euros			
Company	Address	Activity	% Mutualisation	direct	indirect	Net carrying value	Assets	Equity	Results
Group entities									
Cajas Rurales Unidadas, S.C.C. (a)	Plaza de Barcelona, 5. Almería.	Cooperative credit union	66.87%	-	-	-	34,758,032	2,547,646	97,901
Caixa Rural Albalat dels Sorells, C.C.V. (a)	C/ Padre Salvador, 11. Albalat dels Sorells. Valencia.	Cooperative credit union	0.10%	-	-	-	34,745	4,354	61
Caixa Rural Altea, S.C.C.V. (a)	Pasaje Llaurador, 1. Altea. Alicante.	Cooperative credit union	0.58%	-	-	-	2,336,634	26,008	530
Caixa Rural de Callosa de Sarria, C.C.V. (a)	Avda. Jaume I, 1. Callosa d'en Sarria. Alicante.	Cooperative credit union	0.39%	-	-	-	151,472	15,647	404
Caixa Rural de Turís, C.C.V. (a)	Plaza de la Constitución, 2. Turis. Valencia.	Cooperative credit union	0.18%	-	-	-	50,206	6,833	132
Caixa Rural Sant Josep de Vilavella, S.C.C.V. (a)	C/ Cova Santa, 11. La Vilavella. Castellón.	Cooperative credit union	0.10%	-	-	-	52,441	5,188	92
Caixa Rural Sant Vicent Ferrer de la Vall D'Uixo, S.C.C.V. (a)	Plaza del Centro, 4. La Vall D'Uixo. Castellón.	Cooperative credit union	0.19%	-	-	-	109,706	7,316	194
Caixa Rural Vila-Real, S.C.C. (a)	Plaza Major, 10. Villarreal. Castellón.	Cooperative credit union	0.49%	-	-	-	336,543	22,742	575
Caja de Crédito de Petrel, Caja Rural, C.C.V. (a)	C/ San Bartolomé, 2. Petrer. Alicante.	Cooperative credit union	0.33%	-	-	-	163,471	18,874	279
Caja Rural de Alginet, S.C.C.V. (a)	C/ Valencia, 13. Alginet. Valencia.	Cooperative credit union	0.21%	-	-	-	78,989	7,665	179
Caja Rural de Cheste, S.C.C. (a)	Plaza Doctor Cajal, 2. Cheste. Valencia.	Cooperative credit union	0.20%	-	-	-	106,171	10,183	203
Caja Rural de Torrent, S.C.C. (a)	Avda. Al Vedat, 3. Torrent. Valencia.	Cooperative credit union	1.27%	-	-	-	545,063	45,780	1,547
Caja Rural de Villar, C.C.V. (a)	C/ Las Cruces, 33. Villar del Arzobispo. Valencia.	Cooperative credit union	0.17%	-	-	-	70,387	6,345	145
Caja Rural la Junquera de Chilches, C.C.V. (a)	Plaza España, 6, Chilches. Castellón.	Cooperative credit union	0.04%	-	-	-	29,460	2,783	165
Caja Rural San Isidro de Vilafamés, C.C.V. (a)	Avda. Barcelo, 6. Volafames. Castellón.	Cooperative credit union	0.04%	-	-	-	24,835	2,674	36
Caja Rural San Jaime de Alquerias Niño Perdido, C.C.V. (a)	C/ Jaime Chicharro, 24. Alquerias del Niño Perdido. Castellón.	Cooperative credit union	0.25%	-	-	-	105,026	11,682	236
Caja Rural San Jose de Burriana, C.C.V. (a)	Plaza el Pla, 1. Burriana. Castellón.	Cooperative credit union	0.44%	-	-	-	217,111	23,603	437
Caja Rural San José de Nules, S.C.C.V. (a)	C/ Mayor, 66. Nules. Castellón.	Cooperative credit union	0.16%	-	-	-	140,189	9,032	229
Caja Rural San Roque de Almenara, S.C.C.V. (a)	C/ Doctor Berenguer, 4. Almenara. Castellón.	Cooperative credit union	0.06%	-	-	-	34,208	3,236	66
Alquileres Alameda 34, S.L. (a)	Paseo Alameda, 34. Valencia.	Property development	-	-	8.33%	-	94,289	26	9
Cajamar Intermediadora Operadora de Banca Seguros Vinculado, S.L.U. (a)	Plaza de Barcelona, 5. Almería.	Insurance broker	-	-	100.00%	60	5,843	310	86
Cimenta2 Gestión e Inversiones, S.A.U. (a)	Paseo de Almería, 25.Almería.	Property development	-	-	100.00%	36,901	1,211,378	38,429	(100,536)
Eurovía Informática, A.I.E. (a)	Ctra. Sierra Alhamilla, s/n. Edif. Celulosa, 2ª planta. Almería.	Provision of technological services	-	1.00%	99.00%	2	371	3	-
Eurovía Tecnología S.L.U. (a)	Camino de la Goleta, s/n. Edif. Hispatec. Almería.	Provider of IT services	-	-	100.00%	12	63	45	6
Giesmed Parking, S.L.U. (a)	Paseo Alameda, 34. Valencia.	Parking management	-	-	100.00%	-	11,416	(117)	(25)
Hotel Envia Golf, S.L. (a)	Avda. de la Envía, 45. Vicar. Almería.	Property development in Envia Golf and Las Salinas	-	-	100.00%	2,646	14,183	2,646	(1,628)
Inmuebles Alameda 34, S.L. (a)	Paseo Alameda, 34. Valencia.	Property development	-	-	4.62%	3	110,083	93	16
Parque Industrial Acceso Sur, S.L. (a)	C/ Gasset, 1. Castellón.	Property development	-	-	70.00%	1,383	10,815	1,984	(103)
Sunaria Capital, S.L.U. (a)	Avd. Montserrat Edif. Brisas portal 7, 1ª planta. Almería.	Holding company	-	-	100.00%	9,794	10,850	10,010	(479)
Talia Formación S.L.U. (a)	Avd. Montserrat Edif. Brisas portal 7, 4ª planta. Almería.	Adult education and other types of education	-	-	100.00%	41	180	116	13
Tarket Gestión, A.I.E. (a)	Avd. Montserrat Edif. Brisas portal 7, 3ª planta. Almería.	General services	-	1.00%	99.00%	2	319	3	-
Sumando Recursos, S.L.U. (a)	C/ Santa María Micaela, 6. Valencia.	Construction and explotation of energy production parks	-	-	100.00%	74	529	104	(22)
(a) Company Audited by PriceWaterhouse Coopers Auditores, S.L.						**50,919**	**40,815,008**	**2,831,242**	**749**

Details regarding jointly controlled and associates entities accounted for by the equity method at 31 December 2014 are as follows:

Company	Address	Activity	% Mutualisation	% shareholding		Thousand of euros			
				direct	indirect	Net carrying value	Assets	Equity	Results
Jointly controlled entities									
Safei Rural Málaga, S.A. (e)	Plaza de la Marina, 1. Málaga.	Fiancial broker	-	-	50.00%	-	31	31	-
						-	**31**	**31**	**-**
Associates									
Acuariums de Almería, S.L.	Avda. Reino de España s/n. Roquetas de Mar. Almería.	Operation of an aquarium	-	-	25.00%	-	3,610	214	(128)
Agrocolor, S.L.	Carretera de Ronda, 11-1º E. Almería.	Quality certification	-	-	32.37%	18	2,888	1,833	204
Apartamentos Media Luna, S.A.	Avda La Envia 45. Vicar. Almeria.	Property development	-	-	50.00%	16,148	15,090	2,869	1,032
Balsa de Insa, S.L.	C/ de la Lluna, 3. Castellón.	Property development	-	-	24.50%	-	3,133	96	(47)
Biocolor, S.L.	Carretera de Ronda , 11, 1º. Almería.	Plague Integral Controller	-	-	22.19%	234	3,213	1,159	(35)
Cajamar Seguros Generales, S.A. de Seguros y Reaseguros (b)	Plaza de Barcelona, 5. Almería.	Insurance	-	-	50.00%	3,381	45,331	10,955	1,957
Cajamar Vida, S.A. de Seguros y Reaseguros (b)	Plaza de Barcelona, 5. Almería.	Insurance	-	-	50.00%	4,508	630,513	67,465	26,636
Cultipeix S.L. (c)	Camino Chabarria, s/n. Castellón.	Fish farming	-	-	21.28%	-	22,530	(4,933)	(11,549)
Habitat Utiel, S.L.	C/ Pascual y Genil,17. Valencia	Property development	-	-	25.00%	2	383	3	-
Murcia emprende S.C.R., S.A. (d)	C/ Jacobo de las Leyes, 12. Murcia.	Venture capital	-	-	25.00%	1,170	4,693	4,678	(103)
Occidental Arroyomolinos, S.L.	C/ Princesa, 3 Duplicado, 1ª planta. Apartamento 113. Madrid.	Property development	-	-	25.00%	-	21,092	663	(776)
Parque Científico- Tecnológico de Almería, S.A. (a)	Avda. De la Innovación, 15, Edf Pitágoras (PITA). Almería.	Property management	-	-	30.15%	6,054	53,647	20,030	(1,741)
Proyecta Ingenio, S.L.	Avda. Cabo de gata, 23. Almería.	Consulting in quality and agricultural procedures	-	-	24.90%	15	651	236	90
Renovables la Unió, S.C.P.	C/ Mar,22. Valencia.	Renewable energies	-	-	40.00%	104	260	260	-
Sabinal Agroservicios, S.L.	Carretera de Ronda , 11, 1º-E. Almería.	Agricultural cooperative services	-	-	50.00%	24	48	47	-
Solaes Fruits, S.L.	Avda. Castello, 75, Castellón	Agricultural wholesaler	-	-	25.00%	-	231	(143)	(58)
Tino Stone Group, S.A. (c)	Pol. Ind. Rubira Sola, s/n. Macael. Almería.	Construction subcontractor	-	-	24.96%	-	48,909	(62,350)	(48,820)
						31,658	**856,222**	**43,082**	**(33,337)**

(a) Audited by PriceWaterhouse Coopers Auditores, S.L.
(b) Audited by Ernst & Young, S.L.
(c) Society in liquidation process.
(d) Audited by Deloitte auditores, S.L.
(e) Without activity.

Appendix I Breakdown of shareholdings at 31 December 2013 (*)

The details regarding the entities participating in the Group whose balance sheets and income statements are integrated using the full consolidation method are as follows:

Company	Address	Activity	% Mutualisation	% shareholding		Thousand of euros			
				direct	indirect	Net carrying value	Assets	Equity	Results
Group entities									
Caixa Rural Sant Vicent Ferrer de la Vall D'Uixo, S.C.C.V. (a)	Plaza del Centro, 4. La Vall D'Uixo. Castellón.	Cooperative credit union	0.28%	-	-	-	113,190	6,219	78
Caixa Rural Vila-Real, S.C.C. (a)	Plaza Major, 10. Villareal. Castellón.	Cooperative credit union	0.83%	-	-	-	339,566	21,063	341
Caja Rural de Torrent, S.C.C. (a)	Avd, Al Vedat, 3. Torrent. Valencia	Cooperative credit union	1.55%	-	-	-	575,103	42,722	324
Caixa Rural Altea, S.C.C.V. (a)	Pasaje Llaurador, 1. Altea. Alicante.	Cooperative credit union	0.52%	-	-	-	226,358	24,847	62
Caixa Rural de Callosa de Sarria, C.C.V. (a)	Avda. Jaume I, 1. Callosa d'en Sarria. Alicante.	Cooperative credit union	0.38%	-	-	-	149,926	14,850	85
Caixa Rural Sant Josep de Vilavella, S.C.C.V. (a)	C/ Cova Santa, 11. La Vilavella. Castellón.	Cooperative credit union	0.10%	-	-	-	50,612	4,737	14
Caja Rural de Alginet, S.C.C.V. (a)	C/ Valencia, 13. Alginet. Valencia.	Cooperative credit union	0.20%	-	-	-	84,567	7,299	55
Caja Rural de Cheste, S.C.C. (a)	Plaza Doctor Cajal, 2. Cheste. Valencia.	Cooperative credit union	0.25%	-	-	-	109,009	9,786	43
Caja Rural de Villar, C.C.V. (a)	C/ Las Cruces, 33. Villar del Arzobispo. Valencia.	Cooperative credit union	0.16%	-	-	-	68,967	6,053	328
Caja Rural la Junquera de Chilches, C.C.V. (a)	Plaza España, 8. Chilches. Castellón.	Cooperative credit union	0.06%	-	-	-	26,480	2,589	8
Caja Rural San Isidro de Vilafamés, C.C.V. (a)	Avda. Barcelo, 6. Volafames. Castellón.	Cooperative credit union	0.07%	-	-	-	24,458	2,609	11
Caja Rural San Jaime de Alquerias Niño Perdido, C.C.V. (a)	C/ Jaime Chicharro, 24. Alquerias del Niño Perdido. Castellón.	Cooperative credit union	0.25%	-	-	-	100,924	10,953	32
Caja Rural San Jose de Burriana, C.C.V. (a)	Plaza el Pla, 1. Burriana. Castellón.	Cooperative credit union	0.48%	-	-	-	215,509	22,291	84
Caja Rural San José de Nules, S.C.C.V. (a)	Calle Mayor, 66. Nules. Castellón.	Cooperative credit union	0.37%	-	-	-	146,209	8,194	73
Caja Rural San Roque de Almenara, S.C.C.V. (a)	C/ Doctor Berenguer, 4. Almenara. Castellón.	Cooperative credit union	0.08%	-	-	-	34,644	3,084	15
Caja de Crédito de Petrel,Caja Rural, C.C.V. (a)	C/ San Bartolomé, 2. Petrer. Alicante.	Cooperative credit union	0.33%	-	-	-	155,445	18,555	182
Caixa Rural Albalat Dels Sorells C.C.V. (a)	C/ Padre Salvador, 11. Albalat dels Sorells. Valencia.	Cooperative credit union	0.09%	-	-	-	33,827	4,261	106
Caixa Rural de Turís C.C.V. (a)	Plaza de la Constitución, 2. Turis. Valencia.	Cooperative credit union	0.11%	-	-	-	49,468	6,605	54
Alquileres Alameda 34, S.L. (a)	Paseo Alameda, 34. Valencia.	Property development	-	8.33%	-	-	115,835	17,400	10,690
Cajamar Gestión, S.A.U. (a)	Paseo de Almería, 25.Almería	Fund manager	-	100.00%	-	2,524	2,525	2,525	(30)
Cajamar Intermediadora Operadora de Banca Seguros Vinculado, S.L.U. (a)	Plaza de Barcelona, 5. Almería.	Insurance broker	-	100.00%	-	60	4,709	349	153
Cimenta2 Gestión e Inversiones, S.A.U. (a)	Paseo de Almería, 25.Almería.	Property development	-	100.00%	-	28,459	951,253	28,966	(121,909)
Eurovía Informática, A.I.E. (a)	Ctra. Sierra Alhamilla, s/n. Edif. Celulosa, 2ª planta. Almería.	Provision of technological services	-	81.00%	19.00%	2	924	3	-
Eurovía Tecnología S.L.U. (a)	Camino de la Goleta, s/n. Edif. Hispatec. Almería.	Provider of IT services	-	-	100.00%	12	78	39	5
Giesmed Parking, S.L.U. (a)	Paseo Alameda, 34. Valencia.	Parking management	-	-	100.00%	-	11,231	(93)	(68)
Grupo Hispatec Informática Empresarial, S.A.U. (a)	Avda. Cabo de Gata, 23. Almería.	Provider of IT services	-	100.00%	-	1,348	6,407	1,229	(2,814)
Hotel Envia Golf, S.L. (a)	Avda. de la Envía, 45. Vicar. Almería.	Property development in Envia Golf and Las Salinas	-	-	100.00%	4,273	14,738	4,273	(1,794)
Inmuebles Alameda 34, S.L. (a)	Paseo Alameda, 34. Valencia.	Property development	-	4.62%	-	-	133,288	76	6
Parque Industrial Acceso Sur, S.L. (a)	C/ Gasset, 1. Castellón	Property development	-	70.00%	-	1,417	12,448	2,101	(389)
Sunaria Capital, S.L.U. (a)	Avd. Montserrat Edif. Brisas portal 7, 1ª planta. Almería.	Holding company	-	100.00%	-	7,764	8,871	7,755	(856)
Talia Formación S.L.U. (a)	Avd. Montserrat Edif. Brisas portal 7, 4ª planta. Almería.	Adult education and other types of education	-	-	100.00%	41	291	103	4
Tarket Gestión, A.I.E. (a)	Avd. Montserrat Edif. Brisas portal 7, 3ª planta. Almería.	General services	-	80.00%	20.00%	2	415	3	-
Sumando Recursos, S.L.U. (a)	C/ Santa María Micaela, 6. Valencia.	Construction and explotation of energy production parks	-	100.00%	-	118	570	119	(35)
						46,021	**3,767,845**	**281,565**	**(115,142)**

(a) Company Audited by PriceWaterhouse Coopers Auditores, S.L.

Details regarding jointly controlled and associates entities accounted for by the equity method at 31 December 2013 are as follows:

Company	Address	Activity	% Mutualisation	% shareholding direct	% shareholding indirect	Thousand of euros: Net carrying value	Assets	Equity	Results
Jointly controlled entities									
Safei Rural Málaga, S.A. (e)	Plaza de la Marina, 1. Málaga	Fiancial broker	-	50.00%	-	-	32	32	-
						-	**32**	**32**	**-**
Associates									
Acuariums de Almería, S.L.	Avda. Reino de España s/n. Roquetas de Mar. Almería.	Operation of an aquarium	-	-	25.00%	-	3,608	(61)	(276)
Agrocolor, S.L.	Carretera de Ronda, 11-1º E. Almería.	Quality certification	-	32.37%	-	18	2,444	1,646	51
Apartamentos Media Luna, S.A.	Avda La Envia 45. Vicar. Almeria.	Property development	-	-	50.00%	16,146	15,456	1,837	654
Balsa de Insa, S.L.	C/ de la Lluna, 3. Castellón.	Property development	-	-	24.50%	-	3,125	108	(34)
Biocolor, S.L.	Carretera de Ronda , 11, 1º. Almería.	Plague Integral Controller	-	-	22.19%	302	3,134	1,472	(68)
Cajamar Seguros Generales, S.A. de Seguros y Reaseguros (a)	Plaza de Barcelona, 5. Almería.	Insurance	-	50.00%	-	3,381	37,520	8,000	1,458
Cajamar Vida, S.A. de Seguros y Reaseguros (a)	Plaza de Barcelona, 5. Almería.	Insurance	-	50.00%	-	4,508	467,563	56,244	21,193
Cultipeix S.L. (b)	Camino Chabarria, s/n. Castellón.	Fish farming	-	-	21.28%	-	22,530	(4,933)	(11,549)
Habitat Utiel, S.L.	C/ Pascual y Genil,17. Valencia	Property development	-	-	25.00%	2	383	3	-
Murcia emprende S.C.R., S.A. (d)	C/ Jacobo de las Leyes, 12. Murcia.	Venture capital	-	25.00%	-	1,365	5,428	5,411	201
Occidental Arroyomolinos, S.L.	C/ Princesa, 3 Duplicado, 1ª planta. Apartamento 113. Madrid.	Property development	-	-	25.00%	-	20,672	(142)	(1,061)
Parque Científico- Tecnológico de Almería, S.A. (a)	C/ Carretera Sacramento (P. Científico Tecnológico de Almería s/n)	Property management	-	30.05%	-	5,341	54,462	18,440	(2,607)
Proyecta Ingenio, S.L.	Avda. Cabo de gata, 23. Almería.	Consulting in quality and agricultural procedures	-	-	24.90%	15	335	82	(15)
Renovables la Unió, S.C.P.	C/ Mar,22. Valencía	Renewable energies	-	-	40.00%	104	260	260	-
Sabinal Agroservicios, S.L.	Carretera de Ronda , 11, 1º-E. Almería.	Agricultural cooperative services	-	50.00%	-	23	48	48	-
Solaes Fruits, S.L.	Avda. Castello, 75, Castellón	Agricultural wholesaler	-	-	25.00%	-	231	(143)	(58)
Tino Stone Group, S.A. (c)	Pol. Ind. Rubira Sola, s/n. Macael. Almería.	Construction subcontractor	-	24.96%	-	-	48,909	(62,352)	(48,820)
						31,205	**686,107**	**25,918**	**(40,929)**

(a) Audited by PriceWaterhouse Coopers Auditores, S.L.

(b) Society in liquidation process.

(c) Audited by ACR Auditors Group, S.L.P.

(d) Audited by Deloitte auditores, S.L.

(e) Without activity.

(*) The figures for 2013 year end have been restated in accordance with the changes in accounting policies mentioned in Notes 2.5, 3.17 and 4.

Appendix II Details of branches by geographic area

Province	Nº of GCC Branches 2014	Nº of GCC Branches 2013
ANDALUCIA	**374**	**376**
Almería	190	192
Cádiz	12	12
Córdoba	5	5
Granada	23	23
Huelva	4	3
Jaén	5	4
Málaga	130	133
Sevilla	5	4
ARAGÓN	**1**	**1**
Zaragoza	1	1
ASTURIAS	**1**	**1**
BALEARES	**26**	**25**
CANARIAS	**66**	**66**
Las Palmas	50	50
Santa Cruz de Tenerife	16	16
CANTABRIA	**2**	**2**
CASTILLA LA MANCHA	**18**	**19**
Albacete	7	7
Ciudad Real	1	1
Cuenca	8	9
Guadalajara	1	1
Toledo	1	1
CASTILLA LEÓN	**93**	**94**
Avila	6	6
Burgos	3	3
León	11	11
Palencia	18	18
Salamanca	1	1
Segovia	2	2
Soria	1	1
Valladolid	48	49
Zamora	3	3
CATALUÑA	**43**	**49**
Barcelona	34	39
Gerona	2	2
Lérida	1	1
Tarragona	6	7
COMUNIDAD VALENCIANA	**466**	**486**
Alicante	110	112
Castellón	97	101
Valencia	259	273
GALICIA	**3**	**3**
A Coruña	2	2
Ourense	1	1
LA RIOJA	**2**	**2**
MADRID	**38**	**38**
MURCIA	**175**	**183**
NAVARRA	**2**	**2**
CEUTA	**1**	**1**
MELILLA	**1**	**1**
	1,312	**1,349**

Appendix III Details of financial agents by geographic area

1. **List of authorised persons in accordance with section 1.1 of** Spanish Central Bank Circular 4/2010 (30 July) for credit institutions and agreements concluded for the habitual rendering of financial services:

Province	Name	Scope of activity	Date
Almería			
	Mr. JOSÉ ANTONIO GODOY GARCÍA	Fondón	04/03/2013
	Mr. JOSÉ MARTÍNEZ CARMONA	Paterna del Río y Bayárcal	04/03/2013
	Mr. JOSÉ LUIS MATARÍN GUIL	Alboloduy, Santa Cruz de Marchena, Alsodux y Alhabia	04/03/2013
	Mr. FRANCISCO ORTA TORRES	Instinción y Rágol	04/03/2013
	Mrs. DOLORES RUBIO ALMANSA	Benizalón, Benitagla y Alcudia de Monteagud	04/03/2013
	Mr. CECILIO SOLBAS MARTÍNEZ	Terque y Bentarique	04/03/2013
Málaga			
	Mrs. RAQUEL BERBEL CAPILLA	Alcaucín	04/03/2013
	Mrs. MARÍA CONCEPCIÓN RAMOS PASCUAL	Iznate	04/03/2013
	Mrs. CARMEN SOTO HERNÁNDEZ	Totalán	04/03/2013
	Mr. ADRIANO VELA GÓMEZ	El Borge	04/03/2013

2. **List of authorised persons to recruit customers or the promotion and marketing of transactions and services in accordance with section 2 of** Spanish Central Bank Circular 4/2010 (30 July) for credit institutions and agreements concluded for the habitual rendering of financial services:

   At the end of 2014 the Group did not maintain agreements with persons designated to recruit customers or to promote and market operations and services.

Appendix IV Details on the main figures of the financial entities of the Group at 31 December 2014

Thousands of euros

Group Entities	Assets	Liabilities	Equity	Net interest income	Gross income	Net operating income	Profit before tax	Profit for the period
Cajas Rurales Unidas, S.C.C	34,758,032	32,210,386	2,547,646	511,029	1,182,362	50,635	101,666	97,901
Banco de Credito Social Cooperativo, S.A.	1,949,571	1,163,451	786,121	14,849	23,652	(38,710)	(38,709)	(27,191)
Caja Rural de Torrent, S.C.C.	545,063	499,283	45,780	7,765	13,353	1,343	1,798	1,547
Caixa Rural Vila-Real, S.C.C.	336,543	313,801	22,742	5,249	12,642	631	820	575
Caixa Rural Altea, S.C.C.V.	236,634	210,626	26,008	5,664	5,702	317	723	530
Caja Rural San Jose de Burriana, C.C.V.	217,111	193,508	23,603	2,947	2,060	168	596	437
Caja Rural San José de Nules, S.C.C.V.	140,189	131,157	9,032	1,519	7,444	1,879	324	229
Caixa Rural de Callosa de Sarria, C.C.V.	151,472	135,825	15,647	2,903	4,115	696	504	404
Caja de Crédito de Petrel, Caja Rural, C.C.V.	163,471	144,597	18,874	2,497	3,526	654	432	279
Caixa Rural Sant Vicent Ferrer de la Vall D'Uixo, S.C.C.V.	109,706	102,390	7,316	2,349	3,373	362	295	194
Caja Rural de Cheste, S.C.C.	106,171	95,988	10,183	1,531	2,013	488	285	203
Caja Rural San Jaime de Alquerias Niño Perdido, C.C.V.	105,026	93,344	11,682	1,466	1,878	(53)	327	236
Caja Rural de Alginet, S.C.C.V.	78,989	71,324	7,665	1,661	1,615	44	264	179
Caja Rural de Villar, C.C.V.	70,387	64,042	6,345	1,177	280	190	212	145
Caixa Rural de Turís, C.C.V.	50,206	43,373	6,833	991	1,061	159	199	132
Caixa Rural Sant Josep de Vilavella, S.C.C.V.	52,441	47,253	5,188	1,170	605	57	131	92
Caixa Rural Albalat dels Sorells, C.C.V.	34,745	30,391	4,354	595	1,887	(3)	122	61
Caja Rural San Roque de Almenara, S.C.C.V.	34,208	30,972	3,236	582	685	76	87	66
Caja Rural San Isidro de Vilafamés, C.C.V.	24,835	22,161	2,674	289	335	67	68	36
Caja Rural la Junquera de Chilches, C.C.V.	29,460	26,677	2,783	591	536	47	64	165

Appendix IV Details on the main figures of the financial entities of the Group at 31 December 2013 (*)

Thousands of euros

Group Entities	Assets	Liabilities	Equity	Net interest income	Gross income	Net operating income	Profit before tax	Profit for the period
Cajas Rurales Unidas, S.C.C	39,967,222	37,480,978	2,485,203	607,465	1,016,169	350,945	23,921	47,552
Caja Rural de Torrent, S.C.C.	575,103	532,381	42,722	8,129	18,538	1,474	377	324
Caixa Rural Vila-Real, S.C.C.	339,566	318,503	21,063	5,457	14,042	4,090	202	341
Caixa Rural Altea, S.C.C.V.	226,358	201,511	24,847	5,593	4,267	(65)	126	62
Caja Rural San Jose de Burriana, C.C.V.	215,509	193,218	22,291	3,308	3,058	290	120	84
Caja Rural San José de Nules, S.C.C.V.	146,209	138,015	8,194	1,782	7,282	110	91	73
Caixa Rural de Callosa de Sarria, C.C.V.	149,926	135,076	14,850	2,726	3,091	377	92	85
Caja de Crédito de Petrel, Caja Rural, C.C.V.	155,445	136,890	18,555	2,981	2,952	130	81	182
Caixa Rural Sant Vicent Ferrer de la Vall D'Uixo, S.C.C.V.	113,190	106,971	6,219	2,168	5,206	785	69	78
Caja Rural de Cheste, S.C.C.	109,009	99,223	9,786	1,855	1,626	99	59	43
Caja Rural San Jaime de Alquerias Niño Perdido, C.C.V.	100,924	89,968	10,956	1,354	1,359	(17)	60	32
Caja Rural de Alginet, S.C.C.V.	84,567	77,268	7,299	1,813	1,288	120	48	55
Caja Rural de Villar, C.C.V.	68,967	62,914	6,053	1,385	1,112	436	436	328
Caixa Rural de Turís, C.C.V.	49,468	42,863	6,605	881	967	94	28	54
Caixa Rural Sant Josep de Vilavella, S.C.C.V.	50,612	45,875	4,737	1,216	428	25	25	14
Caixa Rural Albalat dels Sorells, C.C.V.	33,827	29,566	4,261	596	1,278	78	21	106
Caja Rural San Roque de Almenara, S.C.C.V.	34,644	31,560	3,084	632	480	19	19	15
Caja Rural San Isidro de Vilafamés, C.C.V.	24,458	21,849	2,609	554	295	16	16	11
Caja Rural la Junquera de Chilches, C.C.V.	26,480	23,891	2,589	563	477	15	15	8

(*)The figures for 2013 year end have been restated in accordance with the changes in accounting policies mentioned in Notes 2.5, 3.17 and 4.

BANCO DE CRÉDITO SOCIAL COOPERATIVO, S.A.
AND ENTITIES OF THE CAJAMAR GROUP
(GRUPO COOPERATIVO CAJAMAR)

Banking Annual Report

Financial Year 2014

GRUPO
COOPERATIVO
CAJAMAR

General Information

This report is drawn up in compliance with Article 87 of Law 10/2014 (26 June) on the organisation, supervision and solvency of credit institutions. In accordance with said Law, credit institutions are required to report to the Spanish Central Bank and publish annually, specifying for the countries in which they are established, the following consolidated information:

a) Name, nature and geographical location of the activity
b) Business volume
c) Number of full time employees.
d) Gross income before taxes.
e) Corporate income tax
f) Grants or public aid received.

a) Name, nature and geographical location of the activity

Note 1 to the Cajamar Group consolidated annual accounts for 2014 describes the Entity's nature, objects and registered office. The most relevant aspects of that information are set out below.

a.1) Nature of the entity

The parent entity of the Grupo Cooperativo Cajamar is Banco de Crédito Social Cooperativo, S.A. Grupo Cooperativo Cajamar has replaced and is the continuation of the former Cajas Rurales Unidas Cooperative Group which was headed by Cajas Rurales Unidas, Sociedad Cooperativa de Crédito. The Spanish Central Bank Executive Committee agreed to consider the Group as a consolidating group of credit institutions and also classified the agreement between Banco de Crédito Social Cooperativo, S.A. and the rural savings banks involved as an Institutional Protection System (IPS).

Banco de Crédito Social Cooperativo, S.A. is a duly registered private bank governed by the regulations governing credit institutions and private banking. On 18 February 2014 it was entered in the Register of Banks and Bankers under code number 0240, with tax ID number A86853140. Its registered office is in Paseo de la Castellana 87, 28046 Madrid.

Banco de Crédito Social Cooperativo, S.A. was incorporated by the 32 founding shareholders in 2014 under a public deed executed before the Madrid notary Mr. José Enrique Cachón Blanco on 28 January 2014 under number 293 of his record, entered in the Madrid Mercantile Register in Volume 31,884, Folio 131, Page M-573805, Entry 1 on 10 February 2014. The shareholders that granted the deed were authorised by the Spanish Central Bank under an authorisation issued on 27 January 2014 by the Directorate General for Financial Regulation and Stability, in the terms laid down in Royal Decree 1245/1995.

The Bank is the parent of the Grupo Cooperativo Cajamar and commenced operations on 1 July 2014, by virtue of the provisions of its Bylaws and Incorporation Deed, after obtaining the requisite authorisation from the Spanish Central Bank's Executive Committee, under a resolution adopted at a meeting held on 6 June 2014. The Grupo Cooperativo Cajamar is classified as a Consolidable Group of Credit Institutions and Institutional Protection System.

Grupo Cooperativo Cajamar

The formation of Cooperative Group was completed in accordance with Cooperative Law 27/1999, which establishes a wide and flexible general framework through which to channel initiatives of collaboration and integration between cooperative companies and in particular, Article 78 of that Law which provides for the formation of the so-called *cooperative groups* understood, for the purposes thereof as "*the group formed by several cooperative companies, of whatever class, and the parent of the group that exercises powers or issues mandatory instructions for the grouped cooperatives such that there is decision-making unity within such powers*".

In the event that the parent entity of the Group is not a cooperative society, the general commitments undertaken vis-à-vis the Group must be formalised in a notarised contact.

Similarly, Article 80.8 of European Parliament and Council Directive 2006/48/CE (14 June 2006) and the relevant transposition legislation in Spain, in particular Spanish Central Bank Circular 3/2008 (22 May), and subsequent amendments, regarding the calculation and control over minimum equity resources, establish the purposes, objectives and rules for the so-called "Institutional Protection Systems" ("Sistemas Institucionales de Protección"), hereinafter SIP, that Law 36/2007 (16 November) brought into Spanish legislation and Royal Decree 216/2008 (15 February) developed in terms of regulations. Based on these bodies of legislation, the Spanish Central Bank issued Circular 3/2008, and subsequent amendments, and Point Two and Fifteen stipulate the conditions under which the Spanish Central Bank would consider an IPS exists and would authorise the relevant conditions.

On the basis of the relevant legislation and the above considerations, on 25 February 2014, by means of the Regulating Contract for the Grupo Cooperativo Cajamar ("the Regulating Contract"), the Grupo Cooperativo Cajamar was set up with the legal form of a cooperative group, in order to strengthen the member entities and enable balance sheets to be consolidated and business strategies, management policies and risk control, solvency and liquidity to be pooled.

The Spanish Central Bank's Executive Committee agreed to consider the Grupo Cooperativo Cajamar as a consolidable group of credit institutions and also classified the agreement between Banco de Crédito Social Cooperativo, S.A. and the rural savings banks involved as an Institutional Protection System (IPS).

The Grupo Cooperativo Cajamar has replaced and continued with the business of the former Cajas Rurales Unidas Cooperative Group to which all the signatory entities of the Group's s Regulating Contract belonged ("Member Entities"), except for Banco de Crédito Social Cooperativo, S.A. ("parent entity" or "the Bank").

The contractual agreements concluded among all the members of Grupo Cooperativo Cajamar state that the Group's parent entity is Banco de Crédito Social Cooperativo, S.A. and therefore its Board of Directors is the Group's maximum decision taking body, which entails the senior management and supervision of the Group's activities. The following powers are assigned to it on an exclusive basis: strategic management, external representation, internal coordination, issuance of equity instruments, establishment of risk policies and regulations, control and audit, cash management and coverage of the minimum capital ratio, approval of business plans, defining of commercial, pricing and distribution policies, geographical expansion policy, determination of technological and information platforms, personnel policy, determination of the remuneration framework for capital contributions by the savings banks to the Group and the determination of the distribution and application of profits.

The Regulating Contract stipulates the rights and obligations of the member entities and the competencies delegated to them in the parent entity, Banco de Crédito Social Cooperativo, S.A., waiving their own decision-taking powers in the Bank's favour to ensure the existence of a single decision-taking unit. As Banco de Crédito Social Cooperativo, S.A. oversees and manages the Group's policies, its instructions are mandatory for all investee companies in the Cooperative Group.

Under said Regulating Contract, and also in accordance with the requirements laid down in Circular 3/2008, solvency commitments are established which are reciprocal, direct and unconditional, in order to avoid situations of bankruptcy and assess the Group's capital needs on a common basis and set a solvency objective which all member entities undertake to attain, establishing a capitalisation plan and/or assistance plans which are mandatory for all Group entities, in the event that any of them should suffer a shortfall in resources within the context of the agreed objective.

The entities that belong to Grupo Cooperativo Cajamar, as participants, and their dates of inclusion in the Group as approved by their respective General Assemblies, as well as the dates of authorisation for such membership by the Spanish Central Bank's Executive Committee, are as follows:

Entity	Assembly Celebration Date	Spanish Central Bank Approval Date
Banco de Crédito Social Cooperativo, S.A	28/01/2014	06/06/2014
Cajas Rurales Unidas, Sociedad Cooperativa de Crédito	28/11/2013	06/06/2014
Caixa Rural Altea, Cooperativa de Credit Valenciana	27/11/2013	06/06/2014
Caja Rural San José de Burriana, Coop. de Crédito V.	28/11/2013	06/06/2014
Caixa Rural de Callosa d´En Sarriá, Cooperativa de Crédito Valenciana	28/11/2013	06/06/2014
Caixa Rural San José de Nules, S. Coop. de Crédito V.	28/11/2013	06/06/2014
Caja Rural de Cheste, Sociedad Cooperativa de Crédito	28/11/2013	06/06/2014
Caja Rural de Alginet, S. Coop. de Crédito V.	28/11/2013	06/06/2014
Caja Rural San Jaime De Alquerías Niño Perdido, Coop. de Crédito V.	28/11/2013	06/06/2014
Caja Rural de Villar, Coop. de Crédito V.	28/11/2013	06/06/2014
Caixa Rural San Josep de Vilavella, S. Coop. de Crédito V.	28/11/2013	06/06/2014
Caja Rural San Roque de Almenara, S. Coop. de Crédito V.	28/11/2013	06/06/2014
Caja Rural La Junquera de Chilches, Coop. de Crédito V.	28/11/2013	06/06/2014
Caja Rural San Isidro de Vilafamés, Coop. de Crédito V.	28/11/2013	06/06/2014
Caja Rural Católico Agraria, Coop. de Crédito V.	28/11/2013	06/06/2014
Caixa Rural Sant Vicente Ferrer de la Vall D´Uixo, S. Coop. de Crédit V.	28/11/2013	06/06/2014
Caja de Crédito de Petrel, Caja Rural, Cooperativa de Crédito Valenciana	29/11/2013	06/06/2014
Caixa Rural de Turís, Cooperativa de Crédito Valenciana.	28/11/2013	06/06/2014
Caixa Rural Albalat Dels Sorells, Cooperativa de Crédit Valenciana	28/11/2013	06/06/2014
Caixa Rural de Torrent, Cooperativa de Crédit Valenciana	28/11/2013	06/06/2014

a.2) Objects:

The Group's corporate objects are to engage in all kinds of activities, operations and services in the banking business in general, which are in accordance with applicable law, including the provision of investment services and ancillary services, in the terms laid down in Securities Market regulations.

The Credit Cooperatives participating in the Cooperative Group have the corporate purpose to serve the financial needs of its members and third parties, and may perform any credit or deposit-taking activity, banking or quasi-banking service, giving preference to the financial demands of its members and may carry out credit operations with non-members up to a limit of 50% of the bank's total resources.

a.3) Registered office and geographical location of the activity

The registered office of the parent entity of the Cooperative Group is located in Paseo de la Castellana 87, 28046 Madrid, Spain, and it may establish branches, agencies and representative offices anywhere in Spanish territory and abroad, in accordance with applicable legislation.

Appendix II to the consolidated annual accounts for 2014 details branches by geographical location.

b) Business volume

At 31 December 2014, the business volume of Grupo Cooperativo Cajamar amounted to €1,186.1 million. All of its activity takes place in Spanish territory and therefore the entire Group's business is restricted to a single geographical segment.

For the purposes of this report, business volume is regarded as gross income, as defined and presented in the Group's consolidated annual accounts at 31 December 2014.

At 31 December 2014, the net return on the Group's assets was 0.10%, understood as the ratio of net profit after tax (€37.11 million) to total assets (€36,031.60 million).

c) Number of full time employees.

At 31 December 2014 there were 6,897 full-time employees all working within Spanish national territory.

d) Gross profit / (loss) before taxes.

At 31 December 2014, the Group recorded a gross loss before taxes of €2.9 million.

e) Income tax.

Taxes refundable recorded by the Group at 31 December 2014 amounted to €45.12 million. Applying this figure and the expense arising from mandatory contributions to the Cooperative Promotion Fund, the Group made a net profit after tax of €37.11 million.

f) Grants and public aids received.

At 31 December 2014 the Group has not received grants and/or specific public aid or aid related to banking. Certain insignificant grants related to continuous personnel training have been received.

BANCO DE CRÉDITO SOCIAL COOPERATIVO, S.A.
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(GRUPO COOPERATIVO CAJAMAR)

Consolidated Directors' Report

Financial Year 2014

Macroeconomic Environment

- During all four quarters of 2014 the Spanish economy registered achieved quarterly **GDP** growth (0.3%, 0.5%, 0.5% and 0.7% respectively), above the average for the European Union and Eurozone, making 2014 the year in which the economic recovery was consolidated with a year-on-year rise of 2%.

  In annual terms, GDP growth stood at 1.4% (compared to -1.2% in 2013) due to a greater contribution by domestic demand to aggregate growth and a lower negative contribution by the external sector.

  The growth of domestic demand is based on the momentum of final consumption expenditure by households on both goods and services and the improvement in the gross fixed capital formation in the light of the improved performance of investment in construction, leaving behind negative growth rates, as well as continued growth in capital goods and intellectual property.

  From the supply perspective, growth in all the lines of business accelerated in the fourth quarter except the primary areas, particularly Services, Construction and, to a lesser extent, Industry.

- The annual change in the **CPI** in December was -1.0%, six tenths lower than in November (-0.4%) and similar to the HICP which stood at -1.1% compared with -0.5% in the previous month. This decrease is mainly explained by the lower fuel prices (diesel and petrol) compared with the increase in 2013.

- At end-December 2014 **the number of persons registered with the Social Security** stood at 16.8 million, 418,000 more than in December 2013 (+2.55%). This is the first time the December figure has been positive, in year-on-year terms, since the beginning of the crisis in 2007.

  The General Social Security Regime grew by 2.59%, which means 343,000 more contributors than a year ago. Regarding the Special Scheme for the self-employed, the number of registered workers increased by 75,000, or 2.47%.

  By sector, the most significant year-on-year increase was in the services sector with 368,000 new registrations, followed by construction (+ 25,000), industry (+ 22,000) and finally the agricultural sector, with 3,000 more workers. The construction industry has changed from being the largest sector for job losses to being an incipient area of job creation in 2014 with 25,000 more Social Security contributors and a total of nearly 1 million registered workers. Although this is still well short of the 2.5 million workers registered in 2007, it still represents a major turnaround.

- Meanwhile, registered **unemployment** has fallen by 254,000 persons in 2014, from 4.7 million in December 2013 to 4.4 million in December 2014, representing a decrease of 5.39 %. This was the second decline in registered unemployment at the end of a year since 2006, following that recorded in 2013 when the unemployment figure fell by 147,000 persons. The accumulated decrease in the last two years, therefore, now exceeds 400,000 people.

- At the year end the **euro** stood at USD 1.2141, 12% below the figure at end-2013 (USD 1.3791). The dollar strengthened during 2014 mainly because the USA is recovering from the 2008 crisis faster and more robustly that Europe and Asia.

  In addition, the euro has weakened against the dollar as it is being seen as the refuge currency for investors in anticipation of a rise in interest rates by the Federal Reserve in 2015, having completed its massive debt purchase programme.

- This situation has also been favoured by the ECB keeping **interest rates** low (historical minimum of 0.05 %) in the hope of encouraging exports and growth in the Eurozone as a means of stimulating the economy.

In 2014 there were two interventions by the European Central bank with respect to official interest rates: In June they were set at 0.15% (from 0.25 % in November 2013) and in September the monetary authority carried out a surprise reduction to 0.05 %, the historical minimum.

The 12-month Euribor at end 2014 stood at 0.33%, 0.21 b.p. lower than end 2013. The 3-month Euribor has followed a similar path: at end-2014 it stood at 0.08 %, 0.19 b.p. lower than at the end of 2013.

- The **Index of Consumer Confidence** (ICC), which reflects consumers' opinions of the current situation and expectations for the future, stood at 90.6 points (on a scale of 200) in December, 7 points above the figure for November. In relation to December 2013, progress remains very significant, up 19.6 points from the previous figure of 71 points.

  This major improvement in the ICC is due to a better assessment of the current situation, growing 5.6 points this month, and to the even higher increase in expectations, reaching 8.4 points. This means that the December ICC has recovered the ground lost in recent months and ends 2014 on the highest figure for the year, although it is still below 100 points, representing a negative perception of the situation.

- The **Ibex 35** closed December on 10,279.5 points, the first time since 2009 that it has gone over 10,000. This level represents an appreciation of 3.66% over the end of 2013 (9,916.7 points).

  In terms of points the best day for the Ibex 35 was 19 June, when it hit 11,249.4 points. By contrast, the lowest day for the Ibex 35 was 16 October, when it ended the day on 9,370.5 points. The level is low but entails a higher floor than in 2013, when the minimum was 7,508.4 points.

- In 2014, the **risk premium** began the year on 222 points and at 31 December it had fallen to 110 points. This is a drop of over 100 points. Although this is not the largest reduction in history (in 2013 it fell by 172 points in 12 months), the risk premium fell to the level of May 2010, when it first exceeded 100 points. This is a long way from the most critical date, 24 July 2012, when it reached 642 points.

  This fall in the risk premium has been the result of greater investor confidence in the Spanish economy, which is reflected in the fact that in 2014 Spanish sovereign debt fell to a historic minimum yield on the benchmark 10-year bond of 1.58%.

  Such a low bond yield would have taken the risk premium to a record low as well, had it not been that German bonds, which also ended the year at a record low, were trading at a yield of only 0.53%.

- The **Spanish financial system** is positioned as one of the most solvent in Europe, having carried out several processes to regularise credit institutions' financial situations and an intense restructuring process. Having completed all these interventions, in 2014 the industry is moving towards a turnaround, with improved delinquency rates, increasing loan activity and a return to profitability.

  During 2014 the default rate in other resident sectors (the most important item in customer loans) improved by 1.15 percentage points, given that in December 2013 the rate was 13.76% and at the end of 2014 it stood at 12.61%, due to an improvement in non-performing loans and the favourable trend in loan authorisations during the year.

  Improving financing conditions in the markets via interest rate cuts have been reflected in the cost of new bank loans for companies and households. These developments have contributed, according to figures from the Spanish Central Bank, to a rise in the volume of new lending for households 2014 thanks to the increase of 23.5% in new home-purchase loans (the first increase since the start of the crisis) and 18.6% in new consumer credit operations. Regarding loans to companies, the volume of new loans to non-financial companies fell more than 9.0%, mainly due to the sharp decline in loans over €1 million, since loans of less than €1 million increased by 8.7%, which may be indicative of a certain upturn in lending to small businesses.

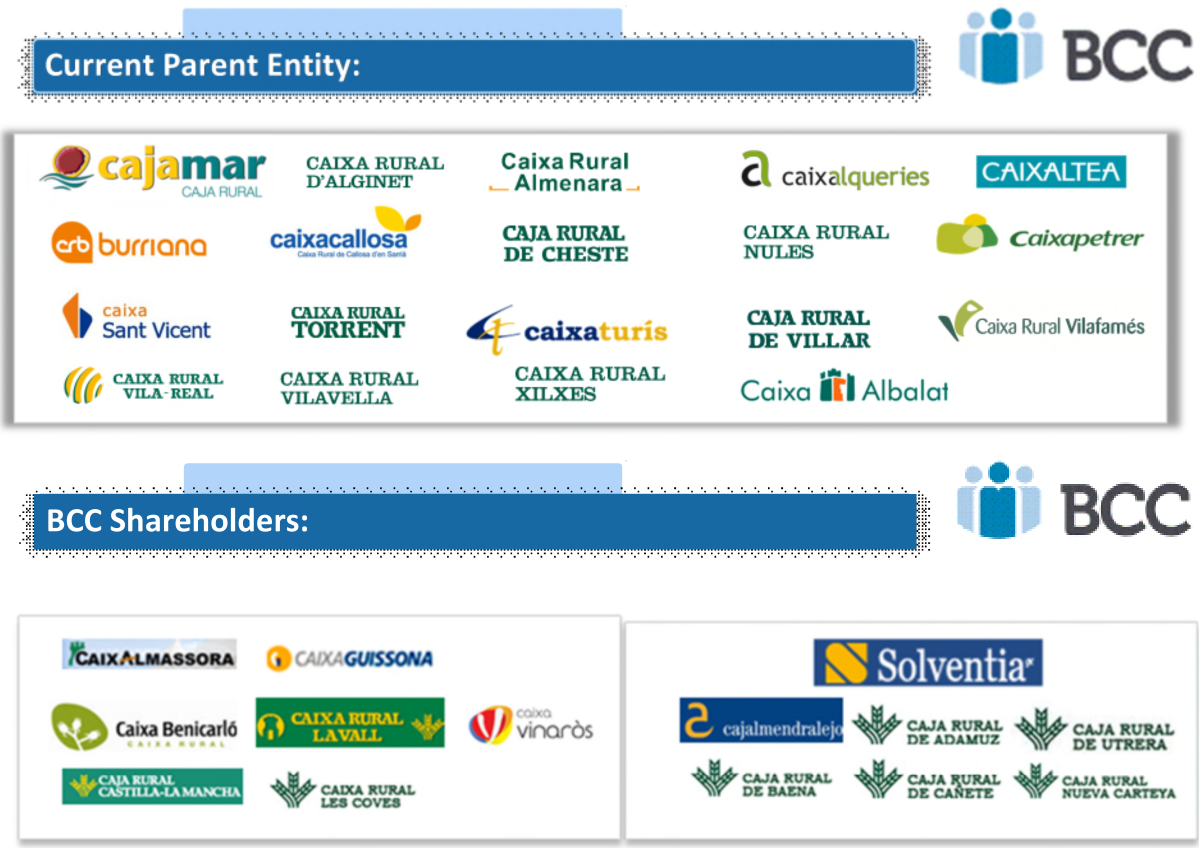
- Investor confidence, the risk premium, the euro, interest rates, oil prices: are these all variables that will help consumption, investment and the foreign sector to shore up economic recovery and favour job creation.

- According to independent experts the outlook for 2015 is favourable, with GDP growth of 2.4% in Spain which will cut the unemployment rate to 22.5%

Creation of Banco de Crédito Social Cooperativo

- At an extraordinary general assembly in November 2013, Cajamar, like the other group entities, approved the creation of a **new cooperative model** in line with the restructuring and transformations currently taking place across the financial industry, which included the creation of the **Banco de Crédito Social Cooperativo** whose brand is **Banco de Crédito Cooperativo (BCC)**, which eventually commenced operations on 18 February 2014.

- **Banco de Crédito Social Cooperativo (BCC)** was incorporated with 32 rural savings banks as shareholders: 19 rural savings banks in the Cooperativo Cajas Rurales Unidas Group and 13 other rural savings banks that have joined the project. It has been the new parent entity of the Grupo Cooperativo Cajamar since 1 July 2014.



- This new model is intended to be the **benchmark cooperative bank in Spain,** providing a framework that facilitates integration, on different levels, of a greater number of rural savings banks, a segment which is currently highly fragmented and therefore less competitive in the face of future challenges, the entry of new shareholders and potential access to capital markets, and improving the solvency and liquidity of the new Group.

- Member entities have delegated the following functions and competencies to the parent entity:
  - ✓ Strategic Group management
  - ✓ Budgeting of the Group and member entities
  - ✓ Issuance of instruments that are eligible as equity, except contributions to share capital by the shareholders of member entities that are cooperatives. However, Cajamar has delegated authorisation for the reimbursement of capital contributions that are requested in order to safeguard the Group's solvency to the parent entity.
  - ✓ Policies, procedures and risk control
  - ✓ Cash management
  - ✓ Business plan
  - ✓ Geographical expansion and determining the size of the network
  - ✓ Internal control and audit
  - ✓ Personnel policy, including all aspects of remuneration policy, both fixed and variable, and, if appropriate, the possible existence of senior management contracts, the terms of their termination and pension or similar commitments;
  - ✓ Technology and information platforms
  - ✓ Determining the remuneration framework for capital contributions
  - ✓ Determining the distribution or application of profits

Single Supervisory Mechanism (SSM)

- Another important milestone for the Group, along with the creation of BCC, has been its inclusion in the top 15 banks in the Spanish financial sector supervised by the European Central Bank through **the Single Supervisory Mechanism (SSM)** since 4 November. In addition, it comfortably passed the asset quality review and stress tests used to measure solvency on a consistent basis in the 130 European entities analysed, the results of which were published in October.

- The Spanish financial system has overcome these tests successfully thanks to the significant efforts to clean up balance sheets in the restructuring and recapitalisation process carried out in recent years. The Group's figures were outstanding: a CET1 ratio in 2016 of 7.99%, 2.49 percentage points higher than the figure of 5.5% set for the adverse scenario and a CET1 ratio of 10.17%, compared with the 8% set as a reference value in the base scenario, without any need for government assistance.

Evolution of the Business

- Under Regulation (EC) 634/2014, which interprets the new international accounting standard on levies with respect to the recognition of the outstanding payments to the Deposit Guarantee Fund (IFRIC 21) on a retroactive basis, the early accounting recognition of the ordinary and extraordinary contributions made to the Deposit Guarantee Fund in 2013 and 2014 has been carried out. This involves adjusting and restating for comparison purposes the published accounts for 2013 (reducing the heading "Other operating income/expenses" and, consequently, the various revenue items leading to the consolidated profits), while reserves are reduced. A detailed description is contained in Note 4 - Errors and changes in accounting policies and estimates - to these accounts. Under this new standard, the net adjustment to profit/ (loss) for the year would be €-31.2 million. The reported figure of €82.8 million would therefore be restated to €51.6 million in 2013.

- As has been the case in the financial sector in general during 2014, at 31 December 2014 the Group's assets contracted by -14.5% to €36,032 million. The main reasons for this are the decreased need to resort to wholesale funding and deposits of banks or central banks in the light of the favourable behaviour of retail funds, the sale of the securities portfolio, which has allowed profits to emerge onto the income statement, or the persistent decline in lending, despite being less sensitive than in recent years due to the improved economic situation.

- These circumstances have influenced, in turn, the performance of total on-balance sheet business, which as well as on-balance sheet retail business also includes the wholesale resources, standing at €64,046 million after recording a year-on-year decrease of -11.7 % due mainly to the wholesale business, which declined by -46.7 % to €5,927 million. In contrast, the retail business has fallen by only 5.3% to €58,119 million, due mainly to the decrease in gross loans and advances.

- There has been a general decline in almost all aggregate figures for **wholesale resources,** with an overall reduction of €5,200 million to practically half the previous year figure, highlighting the €3,198 reduction in borrowings from the European Central Bank, the drop in money market operations through counterparties recorded under Customer deposits of -€404 million, the maturity of mortgage bonds in October and November totalling €1,235 million or securitization bonds issued of -€364 million.

- **Retail customers resources**, however, have grown year-on-year by €526 million, 2.1% in relative terms, to €25.039 million, mainly through sight deposits at the expense of traditional time deposits which are less attractive to customers in general, due to very low interest rates, than other off-balance sheet items. **Balance-sheet resources** as a whole amount to €30,966 million at the end of 2014.

- Unlike in the previous year, **gross loans and advances to customers** suffered downward pressure with a year-on-year fall of € -3,781 million due to the decline in money market transactions with counterparties of over €3,239 million and the decrease of €469 million in doubtful assets, as **healthy loans**, attributable to retail customers, have remained on almost the same level as in 2013 declining by only -0.3%. These points to an increased dynamism in the granting of loans across the Group particularly in our strategic segments such as SMEs, the self-employed and, to a lesser extent, the agri-food industry. The weight of construction and real-estate promotion as a percentage of customer's loans has been reduced to fewer than 8%. At 31 December 2014 **gross loans and advances to customers** stood at €33,080 million.

- 2014 was a turn-around year for **doubtful assets,** after continuous increases in recent years following the advent of the economic crisis and the decrease in customers' payment capacity, thanks to the continued improvement in key economic indicators such as GDP, unemployment and Social Security registration, and, especially, the intense efforts of the whole organisation to tighten control over delinquencies, as a primary strategic objective.

- Despite achieving a decrease of -7.4% in doubtful loans, the **delinquency rate** reflects a slight increase of half a point to 17.7%, well below the decline experienced in the previous year, due to the above-mentioned fall in money market operations with counterparties, without which the delinquency rate would reflect an improvement over the previous year.

- Another positive aspect, in addition to the fall in doubtful assets, is the annual improvement in the **total coverage ratio** of 5.6 percentage points to 49.4% as a result of a rise in the total NPL reserve of 121 million, 4.3% in relative terms. The increase in the general investment reserve of €103 million contributed to this.

- At year end, the Group had been rated as follows by **Fitch:** "BB" for long-term debt and "B" for short-term debt.

- At the end of 2014 the Group had 7,576 **professionals** across a network of 1,311 **branches** around Spain, mainly in the Valencia, Andalusia and Murcia regions.

- The Group will continue with the same cooperative principles and values that have brought it so much success, with the clear aim of exploiting the business opportunities offered by a broad network of branches directed by top professionals ready to provide quality service to customers and partners.

Clients

- In 2014 the Group obtained more than 21,100 new customers. At 31 December 2014, the Group had more than 3,982,000 **clients**, almost 92.5% of whom were individuals.

Share capital

- The **Group's capital** (the sum of share capital net of treasury shares plus other equity instruments) increased year-on-year by €54 million, 2.3% in relative terms, to €2,395 million. The capital figure (net of treasury shares) amounting to €22.65 million relates to the shares of the rest of BCC shareholders that do not belong to group entities.

- The number of **shareholders** increased compared to the year before by more than 59,000 for a total of 1,387,280. Individuals accounted for 93.5% of the total.

Risk management

- Note **6 of the report**, which is part of the Annual Accounts, offers a detailed analysis of the year-end situation and the management in 2014 of the different types of risk to which the Group is exposed (credit, market, liquidity, interest rate, operational and exchange rate).

Results

- The net interest margin has been undermined across the financial sector by the low interest rates, the negative volume effect in investment and the sale of fixed interest portfolios, with margins lower than in the previous year despite financial cost containment due to lower wholesale financing needs, greater growth in sight deposits and good management of trading margins. In the Group, **net interest income** stands at €528.3 million a reduction of -15.6% on the previous year due to the factors mentioned above and lower revenues resulting from the application of the Supreme Court judgement that disallowed floor clauses as from 9 May 2013 in home mortgage loans.

- The annual fall in revenues from the fixed income portfolio in net interest income has been amply offset by the profits from sales made during the year included under **Income from financial operations**, with growth of 56.4%, €132.5 million more than in 2013. Together with the positive trend in fee income and other operating income and expenses, this has raised **gross income** to €1.186 million, reflecting growth of 11.3%.

- The intensification of commercial management aimed at obtaining new customers and improving relations with them through the cross-selling of products and services and, in particular, the implementation of the current customer service model that was introduced at the end of 2013, focusing commercial policy on customers through personalised attention by managers, has led to an increase of 4.6% in fee income, to €282.2 million.

- Due to the combined effect of lower operating expenses, which fell by -53.3%, largely due to lower contributions to the Deposit Guarantee Fund than in the previous year following the adjustment to both the ordinary and extraordinary contributions made against reserves and the 11.3% increase in operating income, **other operating expenses** and charges amounted to only -€11.8 million, which is €66.6 million less than in 2013.

- Regarding **operating expenses** (including administrative expenses and depreciation), the outsourcing of the irregular asset management business and the sale of non-functional assets made during the year has led to savings in staff costs due to the transfer of part of the workforce and to an increase in the expense for subcontracted services compared with the preceding year. This, combined with the time-apportionment of the new tax on deposits, among the most relevant facts, has led to a 13.2% increase in general expenses and, in turn, a 2% increase in operating expenses, despite the savings in depreciation and staff costs, within the optimisation process undertaken in the branch network and in internal processes in order to improve efficiency and customer service.

- Since gross revenues have grown over five times more than operating expenses, operating profits have risen to €611.9 million, 21.7% up on the previous year.

- In addition, **provisions** in 2014 were €67.6 million lower than in the previous year, when extraordinary provisions were recorded for staff restructuring and, to a lesser extent, for the incorporation of Banco de Crédito Social Cooperativo and other contingencies.

- Extraordinary income derived both from financial operations and from **other gains/losses** which increased by €210.7 million mainly due to profits from the sale of the irregular asset management business has enabled, thanks to prudent policies, a greater volume of appropriations to be made to the general insolvency reserve and the special reserve, within the review of assets made during the year, which has contributed to an increase in **impairment losses on financial assets** of €336.4 million, despite the positive developments in doubtful assets during the year. The increase in foreclosures and repossessions has led to a rise in **impairment losses on other assets** of 79.9%.

- Finally, the Group, following the positive contribution from taxes, has made a **profit for the year of** €37.1 million, which guarantees and safeguards the interests of its shareholders and customers.

Efficiency

- The Group is more efficient compared to the year before, with a 4.4 percentage points improvement in the ratio which stood at 48.4% at the 2014 year end. The increase in ordinary income (11.3%) was much higher than the increase in operating costs (2%).

Solvency

- Grupo Cooperativo Cajamar has strengthened its **eligible capital** with year-on-year growth of 2.7% to €2.553 million at the end of 2014. In turn, as a result of the -1.6% reduction in the minimum capital requirements, the **surplus** amounts to €819 million, an increase 13.2% on 2013.

- The **solvency ratio of** the Grupo Cooperativo Cajamar at 31 December 2014 is 11.78%, which is 3.78 percentage points above the minimum required and 0.5 percentage points better than the previous year. More than 94% of capital is prime quality which places the CET1 at 11.09%, well above the 4.5% required (6.0% for Tier I Capital).

Technology projects, alternative channels and R&D

During 2014 projects have focused on three major areas: the creation of the Banco de Crédito Social Cooperativo (B.C.C.), which began operating in July 2014; the implementation of the New Customer Service Model and the development of products and services tailored to the specific needs of customers.

1. The main project in 2014 was the start-up of the **BCC** as the new parent entity of Grupo Cooperativo Cajamar. 32 rural savings banks are shareholders: 19 from the former Grupo Cooperativo Cajas Rurales Unidas and 13 more that have joined the project.

2. In 2014 the **New Customer Service Model** was implemented. This service, which started to be defined at the end of 2013, focuses mainly on the **customer-centred commercial policy, based on personalised attention by managers.**

   This model facilitates the winning and reactivation of high-value customers, improves relations and business volume with less valuable customers, favours the alignment of the Commercial Management Model with the Management Objectives and identifies best commercial practices for portfolio management to be implemented in all business areas.

   191 Managers have been appointed in the corporate area and 304 Managers have been appointed in the private individuals area who, together with supervisors and under the leadership of the Director, will boost the business proactivity of their branches through their internal and external retention and new business portfolios.

   They have the following marketing systems:

   - *Business Proposals generator.* The new generator brings together summaries of conditions, commercial proposals, proposals to specific groups and advertising brochures in a single location, improving accessibility. In addition, the generator is expected to validate the authorisation of the conditions attributed to the Regional Management Units.

   - *Special Proposal Management System.* A circuit has been established for requesting conditions and services not available in the generator, which can also be used to make inquiries and request the disclosure on the Intranet of agreements with associations and groups. The new system improves monitoring and streamlining.

   - *Improvements in the Public Tenders Portal.* Improvements have been made to the portal and procedure to increase speed and efficiency in the resolution of tenders as management information is shared will all the departments involved.

3. With respect to the **product catalogue,** the following projects should be noted:

   - *Implementation of authorization matrix for portfolio-assigned customers.*

     Automatic price scoring systems have been defined for the authorisation of bonus rates, retrocessions and financial conditions in financing operations for portfolio-assigned customers. This development allows us to fix prices on line, and even determine personalised prices for customers.

- *New concept of linking and alternative direct debit*

  The concept of direct debit items is broadened for the purpose of providing benefits related to the products linked to the direct debit of customers' regular revenues (payroll, pensions, unemployment benefit). Revenues that meet the following conditions will also qualify as direct debit items: revenues from transfers or wage payments which are recurring and higher than or equal to the minimum wage; the recipient of the payment must be an individual, for the purpose of consuming the account receiving the payment and the beneficiary of the account differs from the issuing party.

The catalogue has been increased with the following new mass market **products**:

- *Technological renewal financing.* Promotional campaign to finance/acquire articles through which we offer our *customers* the possibility of obtaining various technological products via accessible monthly instalments (if the financing option is chosen). The articles included in this campaign are: Smart TV led 3D Panasonic, Nespresso Krups coffee maker, Moulinex kitchen robot, Apple iPad and iPhone.

- *Electronic banking pre-granted cards* Through the Electronic Bank our customers receive notification of a pre-granted Visa card for a predetermined amount. Through this channel, they may request and formalise their VISA credit card. The contractual documentation is signed and the card is activated through the Electronic Bank.

- *Welcome Deposit,* which enables the obtention of cash held by customers in other banks through domiciled debit. The customer must be the holder of the account where the cash is received.

- *Plus Corporate Flat Rate and Plus Professionals Flat Rate,* product packs which, for a fixed monthly fee, include a current account, Internet office, Visa Electron debit card (only Professionals) and the most frequent banking services such as transfers, cheque payments, payment of bills by direct debit, etc.

- Possibility of issuing buy/sell orders for *fixed income* transactions on the secondary market rapidly and easily from network branches.

- *Adaptations for final migration to SEPA (*direct transfers, notebooks, etc.) and *FATCA* (US regulations for meeting tax obligations related to accounts abroad).

- New *Master Cards* specifically for professionals and companies and new rates for businesses and freelancers depending on links.

- Option to collect payment in euro with our point of sale terminals when the payment relates to a non-euro card.

- Adaptation to Contactless technology that allows payments to be made in shops without using a physical card.

Action has also been taken in catalogues in the Agro, International and Retail outlet sectors:

- Agro segment

- *Pre-granted working capital for intensive agriculture.* Financing system for producers whose activity is intensive greenhouse agriculture. Uses parameters that expedite the granting of risk and increase business resources with this segment.
- *Fast-track PAC aid funding* to speed up processing of applications.
- *New PAC agreements.* Signing of new agreements with various administrations and groups, to support and cover to all GCC offices. As a result, the group collaborates in 10 autonomous regions and has more than 160 cooperation agreements. PAC business guidelines have been drawn up for regional management.
- *New Agrofuerte.* The evolution of the Agrofuerte card features more versatility, flexibility and ease of processing.

- International Business

- *Foreign Trade Training Programme* for customers (loyalty building), company managers and branch managers (coaching and mentoring scheme), with the aim of increasing the number of specialists in foreign trade in our entity and creating a robust network of experts.
- *Business Meetings: Icex/ Grupo Cooperativo Cajamar breakfasts.* More than 400 companies have participated in these GCC-ICEX breakfasts, with the collaboration of 20 top-level businessmen who shared their positive experiences in the internationalisation of their businesses. The meetings were held in 10 provinces and have been institutionalised.
- *Foreign trade- ICEX campaign.* Following the collaboration agreement with ICEX, a campaign has been launched aimed at attracting new customers in International Business and reactivating existing customers, with exceptional conditions and placing special emphasis on products for export customers.
- *TRY ME!! Welcome Pack* The pack is aimed at new customers that may use a range of services in International Business free for 3 months. The pack will improve the entity's image in international business while increasing our customer base.
- *Correspondence Project* between Caixa Central de Crédito Agrícola Mutuo and Cajas Rurales Unidas. Sociedad Cooperativa de Crédito: opening of an account for Cajamar with Credit Agricole and vice versa, making it our main correspondent bank in Portugal.
- *International Events Pack:* The loan for international events and the ATA (temporary import) carnet guarantee have been relaunched, creating a pack covering the main needs of customers who decide to display their products in international fairs and exhibitions.

- Retail outlets

- *ComercioActivo.* The development of the ComercioActivo brand has enabled it to encompass all commercial actions addressed to retail outlets. ComercioActivo is no longer just a commission for deferring payments via point of sale terminals but has its own microsite including products and services that contribute to the development of its commercial activities and drive sales.
- *POS terminals for e-business.* The technological evolution of our stores has enabled us to provide them with two new products for which commercial activities have been developed: *POS Smartphone* for customers who need to do business outside the commercial premises, enabling sales to be charged through their own mobile phones; *V.me by Visa* is a new payment gateway for online businesses that allows its customers to make payment by VISA.

- Insurance

- Cajamar Seguros Generales has included *farming insurance* in its catalogue, integrating it into the Agro-insurance pool and commencing sale through the branch network and associated insurance companies.

- The *Product range* has been broadened by incorporating the products with the highest demand among the self-employed (temporary disablement insurance) and the greatest interest for foreigners who acquire housing in our Spain (property insurance). The range of vehicle insurance is also extended with a specific product for tractors.
- Home insurance coverage has been broadened with the "bricohogar" guarantee (assistance for small repairs), improvements in multi-hazard insurance for greenhouses and improvements in the availability of auto insurance.

From the point of view of **multichannel banking** the adaptation of electronic banking to SEPA should be noted, which has led to changes and improvements in all options related to remittances and management of direct debit, the creation of the BCC electronic bank and new features to help our customers carry out their most common operations, highlighting the possibility of making transfers to accounts in other banks that are paid on the same day or to customise ATM menus, allowing customers to choose the initial options they wish to be displayed.

In terms of mobility, this year an application for Android and iPad tablets has been created, as well as a new iPhone application with new features and new Mobile Banking.

Concerning ATMs, implementation of NFC (Near Field Communication) technology has commenced, which allows contactless operation without cards having to be inserted. Operations that can be carried out via ATMs have increased, including payments of taxes to the central tax administration and the Andalusia regional authority and non-standard receipts, as well as the possibility of deferring payment of purchases in shops using a credit card.

Technological projects include the following:

- New CORE: Development of the new banking CORE to replace the current Financial Server.
- Creation of the Banco de Crédito Cooperativo, enabling new lending at the Bank and BCC representation in the Systems.
- New CIRBE: Systems adaptations for compliance with the new CIRBE regulations.
- ISLAND Project: Sale of the irregular loan recovery and real-estate asset sale business
- Quality Documents scanned signature.
- Creating New Electronic Banking with better usability for the customer.
- Implementation of the new Corporate Social Network
- Adaptation and renovation of the SWIFT platform
- Financial Terminal mobility, allowing this and other basic applications to be used from outside the BCC network environments as well as from tablets

Grupo Cooperativo Cajamar integrated report

- The ***Grupo Cooperativo Cajamar integrated report*** has been issued for the first time in 2014 and may be consulted to obtain financial and non-financial information, from a long term perspective, designed to help our stakeholders understand all the components of business value and how this can be affected by future risks and opportunities.

- Specifically, it refers to the mission and values, corporate governance, business model, strategy and performance of the Grupo Cooperativo Cajamar from an economic, social and environmental viewpoint, as well as the Group's future prospects.

- The scope of this report is limited to the Grupo Cooperativo Cajamar on a consolidated basis and has been verified by an independent external firm (PwC). It has also been submitted to the Global Reporting Initiative.

- This report has been drawn up under the criteria laid down by the International Integrated Reporting Council (IIRC) for the Global Reporting Initiative (GRI 4.0) and the principles of standard AA1000 (AA1000APS accountability principles).

Events after the balance sheet date

On 23 February 2015 the parent company of the Group increased capital by €186,450 thousand with a share premium of €7,000 thousand. The capital increase was performed by means of a cash contribution of €76,278 thousand and a non-cash contribution of €117,172 thousand formed exclusively by equity instruments. The increase was fully subscribed by Cajas Rurales Unidas, Sociedad Cooperativa de Crédito.

In March 2015 the parent entity of Grupo Cooperativo Cajamar and Cetelem España entered into an agreement to set up a joint business engaging in the marketing of consumer loans in Spain. The Company incorporated by these two entities, in which 49% of initial capital will be provided by Banco de Crédito Social Cooperativo, S.A. and 51% by Cetelem, will take the form of a credit institution with the corporate purpose of distributing personal loans and revolving credit lines (with or without cards).

ANNUAL CORPORATE GOVERNANCE REPORT

A OWNERSHIP STRUCTURE

A.1. List of the most significant shareholders or participants in the entity at the closing date:

A.2. Indicate family, commercial, contractual or corporate relationships among significant shareholders or participants known to the entity, if any, except any that are insignificant and those deriving from ordinary commercial business:

A.3. If there are commercial, contractual or corporate relationships between the owners of significant shareholdings and the entity, detail them below unless they are scantly relevant or arise from ordinary commercial transactions:

A.4 Indicate the legal and by-law restrictions, if any, on the exercise of voting rights and the legal restrictions on the purchase or sale of ownership interests in the capital stock.

Yes [X] **No** [ ]

Description of the restrictions

- Restrictions on voting rights

According to the by-laws of Cajas Rurales Unidas, Sociedad Cooperativa de Credito (hereinafter, the Bank or the Entity) each shareholder, present or represented, may vote at the Preparatory Meetings, except:

A) When a punishment has been imposed on a shareholder which entails the suspension of voting rights.

B) When the shareholder is expelled by the Chairman based on his or her antisocial behaviour.

C) When the shareholder must abstain from voting because of a conflict of interest.

No single attendee may represent the voting rights of other shareholders that exceed thirty percent of the voting rights present and represented at the general assembly.

The attendees who hold offices in the Bank will cast their own votes and, where applicable, those of two other shareholders they represent. The obligation to abstain from voting as described in C) above applies to office holders.

- Share capital acquisitions and transfers:

The Credit Cooperative Act establishes that the total amount of each shareholder's contribution may not exceed 20 percent of the share capital for legal entities and 2.5 percent for natural persons.

Under no circumstances may legal entities that are not cooperative entities hold more than 50 percent of the share capital.

According to the Bank's by-laws, the shares may only be transferred in inter vivos acts to other shareholders or those who become shareholders within three months.

In mortis causa transfers, the rightful owner must apply for admission as a member. If the rightful owner does not apply for admission or if the application is denied, he/she will be entitled to liquidate the inherited shares.

B) GENERAL MEETING OR EQUIVALENT BODY

B.1. Indicate the quorum for holding a general meeting or a meeting of an equivalent body as stipulated in the by-laws. Describe the differences between the system of minimums established by the Spanish Capital Companies Act or any other applicable legislation

The Bank, as a credit cooperative, is bound by the rules that apply to such entities and there are differences between the legally established system and the Group own internal rules.

In accordance with the provisions of section 1, Article 17 of the by-laws, "bearing in mind the high number of members of the Bank, its presence in multiple autonomous regions and the consequent difficulty faced by members to attend the General Assembly, the authority of this body will be exercised through and Assembly formed by Delegates designated in Preparatory Meetings and by the persons holding management positions".

As regards the Preparatory Meetings, Article 23 section 5, of the by-laws stipulates the following:

The quorum for holding Preparatory Meetings will meet the following rules:

A) At first call not less than 51% of the total voting rights falling to members of the Cooperative assigned to the relevant Meeting must be present or represented.

B) At second call the members present - including those that are represented- must hold 5% of all member votes assigned to the Meeting, but if the total number of members with the right to attend is less than 100, at least 6 with voting rights must attend and when the assigned members exceed 500 at least 25 cooperative members with voting rights must be present or represented. [...]"

Article 25, section 2, of the by-laws stipulates that the General Assembly will be validly called to order provided that the following requirements are met:

"A) More than three-fourths of all of the Preparatory Meeting established in this Section must have been effectively held beforehand.

B) In order to call the meeting to order at first call, more than one half of the total number of delegates elected at the previously held Meetings must present together with all members that hold positions at the Bank. On second call only 40% of the chosen Delegates and members holding positions must be present. [...]"

B.2. Explain the system for adopting resolutions. Describe any differences with the system established by the Spanish Capital Companies Act or any other applicable legislation.

The Bank, as a credit cooperative, is bound by the rules that apply to such entities and there are differences between the legally established system and the Group's own internal rules. Article 26 of the by-laws establishes the applicable legal provisions with respect to this area.

Accordingly, and in order to exactly describe the manner of adopting resolutions, Article 26 is transcribed below:

"Article 26. System of majorities at the General Assembly

1. The General Assembly will adopt resolutions, as a general rule, with a majority of more than 50% of the votes validly cast, and for these purposes blank votes and abstentions are not computable. Resolutions that are of an electoral nature, to designate members and alternates for governing and other bodies will be decided by a majority of the number of votes cast.

Under no circumstances may a casting vote exist.

2. A majority of two thirds of voting rights present and represented will be required to:

a) Adopt resolutions concerning membership of a cooperative group of those regulated in Law 27/1999, concerning their deregistration, the creation of a new cooperative group and in general with respect to whatsoever agreements should be adopted in relation to the relationship with a Cooperative Group.

b) Amend these by-laws.

c) Approve the merger, universal assignment, spin-off or the dissolution of the Entity, except when the latter must take place due to legal reasons for which an ordinary majority of the General Assembly is sufficient.

d) Sell or assign the Entity, or any portion thereof, by any means, which gives rise to a substantial modification of the Cooperative's equity, financial, organizational or functional structure, as defined by the provisions of Article 16.2.g) of these by-laws.

e) Reactivate the entity.

f) Issue debentures or other securities if required by applicable legislation.

g) Agree to revoke or remove the« Governing body, Controllers or Resource Committee, or any of their members early, except in cases of flagrant crimes, very serious infractions confirmed by the Ministry of Finance or the existence of a situation that requires the immediate removal of the relevant responsible person.

h) Any other issues for which this majority is required by current regulations."

B.3 Briefly indicate the resolutions adopted by the shareholders' meetings held in the year of this report and the percentage of votes that approved each resolution.

On 22 May 2014 the Bank held an ordinary General Assembly in which the following motions were unanimously passed, per the meeting agenda:

Approval of the Individual Annual Accounts and the Consolidated Annual Accounts and Directors' Report of Cajas Rurales Unidas, Sociedad Cooperativa de Credito and entities of the Cooperativo Cajas Rurales Unidas Group for the fiscal year ended 31 December 2013; distribution of available funds and basic lines for the application of Education and Development funds.

- Amendment of the Bank's by-laws which affects the following articles, among others: 14, parts 3 and 5; 24 part 3; 29 part 1; 49, parts 1, 2 and 3; 50 part 1 and Fifth Additional Provision.
- Setting of limits, deadlines and forms of payment of interest on capital contributions. Delegation of the governing body with the power to enforce the resolutions adopted.
- Authorisation of the Bank's governing body to issue financial instruments in compliance with the laws in force at any given time.
- Authorisation of the governing body to grant powers over the management of the Education and Development Fund until the Ordinary General Assembly in 2015.
- Ratification of the governing body's actions in relation to the Cooperativo Cajamar Group.

- Adoption of agreements as the successor to Caja Rural de Canarias, Sociedad Cooperativa de Crédito (absorbed in 2013). Proposal to renounce or reach an agreement to assume responsability presented to previous governing body member of Caja Rural de Canarias, Sociedad Cooperativa de Crédito, Pedro del Río Bravo de Laguna.

- Granting of powers to the bodies and persons within the organisation for the enforcement of the motions passed at the General Assembly.
- Appointment of three shareholders and alternates to approve the minutes within fifteen days of the assembly, along with the Chairman.

B.4 Indicate the address and access to the corporate governance contents on the website.

The corporate governance contents can be accessed by clicking on "Information for shareholders, Corporate Governance Report", and "Information for Investors, Corporate Governance, Corporate Governance Report" (www.cajamar.es/es/comun/informacion-corporativa/informacion-para-inversores/gobierno-corporativo/informe-de-gobierno-corporativo/) on the Bank's website: www.cajamar.es.

B.5 Indicate whether or not meetings have been held by syndicates, if any, of the holders of any securities issued by the Entity, the purpose of the meetings held during the year to which this report refers and the main resolutions adopted.

There have not been, during the year any meetings with the assemblies of the corresponding syndicates of holders of the pertinent securities of the Entity regarding this report.

C) MANAGEMENT STRUCTURE AT THE ENTITY

C.1 Board of Directors or Governing Body

C.1.1. Indicate the maximum and minimum number of directors or members of the governing body established in the by-laws.

Maximum number of Board members	15
Minimum number of Board members	12

C.1.2. Complete the following tables with the members of the board and their status:

MEMBERS OF THE BOARD OF DIRECTORS OR GOVERNING BODY

Name or business name of the Governing Board member	Representative	Date of last appointment
MR. JUAN DE LA CRUZ CARDENAS RODRIGUEZ		8-11-2012
DON FRANCISCO LORENTE BROX		08-11-2012
DON PASCUAL RICARDO CANDEL MARTÍNEZ		08-11-2012
DON JERÓNIMO MOLINA HERRERA		08-11-2012
DON FRANCISCO ELÍAS GÓNGORA CAÑIZARES		08-11-2012
DOÑA MARÍA GÁDOR VILLALOBOS MEJÍA		08-11-2012
DON FRANCISCO MARTÍNEZ-COSENTINO JUSTO		08-11-2012
DON CARLOS PEDRO DE LA HIGUERA PÉREZ		08-11-2012
DON FRANCISCO JAVIER RAMÍREZ ARCEO		08-11-2012
DOÑA MARÍA LUISA TRINIDAD GARCÍA		08-11-2012
DON GREGORIO SÁNCHEZ PRIETO		25-04-2013

C.1.3. Name the Board members or governing bodies, if any, who are also directors or executives of other companies in the same group as the entity:

C.1.4. Complete the following table regarding the aggregated remuneration of the members of the governing body accrued over the last four years:

	Number of female directors							
	Financial year 2014		Financial year 2013		Financial year 2012		Financial year 2011	
	Number	%	Number	%	Number	%	Number	%
THE BOARD OF DIRECTORS	2	18.18%	2	13.33%	2	14.28%	0	0.00%
EXECUTIVE COMMITTEE	0	0.00%	0	0.00%	0	0.00%	0	0.00%

C.1.5. Complete the following table regarding aggregate remuneration paid to the members of the governing body during the year:

Remuneration item	Thousand EUR	
	Individual	Group
Fixed	791	0
Bonuses	0	0
Per diems	278	0
Other compensation	10	0
Total:	1,079	0

C.1.6. List the members of senior management who are not executive directors and show the total compensation paid to them during the year:

Name or company name of	Title
MR. JOSÉ LUIS HEREDIA CELDRAN	Director, Commercial Banking
MR. BERNABE SANCHEZ MINGUET MARTINEZ	Corporate Managing Director
MR. ANTONIO DE PARELLADA DURAN	Director of Real Estate Investments
MR. RAFAEL GARCIA CRUZ	Director of Resources
MR. FRANCISCO JAVIER RODRIGUEZ JURADO	Director of Human Resources

Total senior management compensation (EUR'000)	584

C.1.7. Indicate whether the by-laws or the Board Regulations establish any limit on the term of office for Directors or members of the governing body:

YES [X] No [ ]

Maximum number of years in office	4

C.1.8. Indicate whether the individual and consolidated financial statements that are presented for board approval have been certified:

YES [ ] No [X]

If so, identify the person who has certified the company's individual and consolidated financial statements for board authorisation:

C.1.9. Detail whether the board of directors has established any mechanisms to ensure that the individual and consolidated financial statements authorised by it are presented to the Shareholders' Meeting without audit qualifications.

One of the duties of the Audit Committee is to maintain relationships with external auditors to receive information regarding the audit of the annual accounts.

The external auditors present this information to the Audit Committee before the preparation of the Entity's annual accounts, specifically, during the final Committee meeting of the year, including the preliminary conclusions of the audit work carried out until that time and, notwithstanding the result of audit work that could be pending execution at that date, provides a draft opinion from the external auditors regarding the annual accounts.

In the event that there is any qualification in the preliminary conclusions prepared by the external auditor regarding the annual accounts, the Audit Committee will report this to the Governing Body at the following meeting. The Governing Body may therefore evaluate the possibility of modifying the financial statements and correcting any qualifications that may have been imposed by the auditors in their preliminary conclusions.

C.1.10. Is the secretary to the board or the governing body a voting director?

YES X **No** ☐

C.1.11. Indicate whether there are established mechanisms to maintain the independence of auditors, financial analysts, investment banks and rating agencies.

1. Independence of the auditor

The Audit Committee verifies compliance by the auditor (currently the firm PricewaterhouseCoopers Auditores S.L.) with requirements, specifically reporting on the absence of any situation that could compromise the independence of the auditor's work.

In addition, information is provided relating to compliance by the members of the team with the rotation rule (maximum of 7 years).

This information, and express mention of compliance with applicable international and domestic legislation, especially the revised version of the Audit Act, means that at that meeting the legal compliance of the auditing firm and its independence was verified.

2. Independence of the rating agencies, financial analysts and investment banks

Within the principle of transparency, which must prevail with respect to the Entity's operations in financial markets, it establishes the mechanisms and procedures that are adequate to ensure that credit risk rating agencies, financial analysts and that the banks are informed of all information that may be relevant to analyse Entity within a framework of independence.

The Financial Reporting Agents and Institutional Investments Area is responsible, as its name indicates, for relationships with the credit rating agencies and ensures that they have immediate access to correct and accurate information that will facilitate their analysis and obtaining conclusions with the highest degree of independence possible.

C.2 Committees appointed by the Board of Directors or Governing Body

C.2.1. List the governing bodies:

Name	Number of members	Functions
EXECUTIVE COMMITTEE	5	• The Executive Committee currently has all the authority of the governing body, except those that cannot be delegated according to law or by-laws.

C. 2.2. The Board of Directors committees and their members:

EXECUTIVE COMMITTEE

Name	Title
MR. JUAN DE LA CRUZ CARDENAS RODRIGUEZ	CHAIRMAN
MR. DON FRANCISCO LORENTE BROX	VICE CHAIRMAN
MR. PASCUAL RICARDO CANDEL MARTINEZ	SECRETARY
MR. JERONIMO MOLINA HERRERA	VICE CHAIRMAN
MR. CARLOS PEDRO DE LA HIGUERA PEREZ	MEMBER

C.2.3. Describe the rules of organization and procedure, and responsibilities attributed to each Board Committee or members of the governing body. Describe the duties of the CEO, if any.

See section C.2.1. for a description of the responsibilities of the Executive Committee.

The rules of organisation and procedure are as follows:

The Executive Committee members are named by Governing Body.

The Executive Committee shall meet at least once a month, with the place, date and time to be established by the committee itself. It shall be validly constituted when the meeting is attended by more than half of its members who may not be represented;

Other people whose presence and contributions are considered of interest to the Entity may be invited to attend, without voting rights.

Resolutions shall be adopted by more than half of the votes validly cast of the members present and the Chairman shall cast the deciding vote in the event of a draw.

For each meeting minutes shall be drawn up by the Secretary. Once approved, the minutes are recorded in the Minutes Book.

C.2.4. Indicate the number of Audit Committee meetings held in the year:

Number of meetings	2

C.2.5. If there is a Nominations and Compensation Committee, state whether all of its members are external directors or members of the governing body.

YES ☐ **No** ☐

D) RELATED PARTY TRANSACTIONS

D.1 List any transactions between the bank or members of its group and the shareholders, participating members, holders of proprietary rights or any other type of related party.

D.2 List any transactions between the bank or members of its group and the directors, officers or members of the governing body.

D.3 List any transactions between group companies.

D.4 Describe the mechanisms established to detect, determine and resolve possible conflicts of interest between the entity and/or the group and its directors, executives or members of the governing body.

- The by-laws exclude the right to vote in the General Assembly when there is a conflict of interest.

  Such a conflict of interest is deemed to exist in the following cases:

  a) Votes regarding actions or contracts in which the member, or family members up to the second degree of consanguinity or affinity, have an interest as third-party contractors with the cooperative, excluding in this case activities and services within the cooperative.

  b) Votes that particularly affect a member, either because the issue involves just cause for not accepting a position or duty or because a decision is to be taken regarding the removal or creation of a temporary benefit for justified reasons to that member with respect to compliance with certain obligations

  c) Those cases that are not specifically included in the previous two sections but are included in the Capital Companies Act.

  As attendees at the general assembly, directors are bound by these rules.

- With respect to conflicts of interest within the Governing Body, the by-laws stipulate as follows:

  A Director will be in a conflict of interest situation when:

  a) The contracting of obligations or transactions not included within the cooperative involving the director or family members to the second degree of consanguinity or affinity, as is established by Article 42.1 of Law 27/1999 on Cooperatives.

  b) Votes will take place regarding social responsibility action against directors, as follows: to start, compromise or waive such action.

  c) The situation involves a decision regarding cooperative transactions or services that favour a director or a family member, as indicated in paragraph a).

  d) A decision will be taken with respect to the creation, suspension, amendment, renewal or extinction of obligations or rights relating to the cooperative with entities at which the director or the aforementioned family members are directors, administrators, senior managers, advisers or members with a shareholding equal to or exceeding 5%.

  e) Any of the situations established in Article 29, number 4, or any other section, of these by-laws exists - precautionary suspension from duties of those directors or controllers who have not met the loyalty, dedication and discretion requirements demanded of these positions.

  f) Any other conflict of interest situation established in the Capital Companies Act or any other applicable law.

  When there is a conflict of interest, the affected director(s) must abstain from voting on matters involving the conflict.

  In addition, according to the rules governing credit cooperatives, these votes on conflicts of interest will require the favourable vote of two-thirds of the directors and the governing body's deliberations and resolutions will be secret.

  Similarly, the Internal Rules of Operation stipulate that Directors must immediately report to the governing body any direct or indirect situation of conflict between themselves or the persons related to them and the company's interests. The affected director must abstain from resolutions or decisions relative to the operation to which the conflict refers.

  Directors must report with respect to themselves and persons related to them (a) any direct or indirect interest that they may hold, and (b) the positions or functions carried out in any company which is in a situation where it effectively competes with the Entity.

  The conflicts of interest described above shall be subject to disclosure in the notes to the accounts and in the corporate reports in the manner envisaged in the law and the bylaws.

E) RISK MANAGEMENT AND CONTROL SYSTEMS

E.1 Explain the scope of the Company's Risk Management System.

Risk management is an integral and ongoing function that covers all sectors and all geographical areas where the Bank operates. BCC is responsible for the risk control policies and procedures. All Group´s entities are under the scope.

As described in the sections below, the risk control policies and procedures are specially adapted to the type of risk and are independent from the time or place in which the exposure to the risk takes place.

E.2 Identify the corporate bodies responsible for preparing and implementing the Risk Management System.

Risk management is one of the pillars of all credit institutions and in the case of Cajas Rurales Unidas, Sociedad Cooperativa de Credit it is something in which the BCC's highest governing bodies are personally involved: Board of Directors and Delegate Committees: the Bank's senior management and a good part of the personnel structure dedicate their efforts to risk management.

In particular, credit risk is managed according to the principles, rules and procedures contained in the manual approved by the governing body which are structured around the principles of delegation, uniformity, independence, homogeneity and globality. Based on these principles, credit risk is managed at different levels depending on the characteristics of the risk and the established procedures. Branch offices, business committees, analysis committees, investment committees and even the executive committee are all involved in risk management.

There is also a manual approved by the BCC´s governing body on how to manage market, liquidity and interest rate risk. In this case, the areas in charge of risk management are the departments under the jurisdiction of Corporate Investments and the Assets and Liabilities Committee (ALCO).

On the subject of risk control the Bank is characterised by a high level of functional independence, as can be seen in the existence of a Comptroller's office that reports to the governing body and which oversees the Global Risk Control and Regulatory Compliance divisions, whose functions are described below. In addition to these, there are multiple executive departments within the Entity with their own controls in place.

1. Global Risk Control

Functions:

- Proposes segmentation criteria for credit portfolio.
- Proposes internal limits on risk exposure.
- Oversees compliance with established risk limits.
- Analyses exposure to credit, price, interest, liquidity and operating risks.
- Coordinates capital self-evaluation process.
- Establishes methodologies for measuring credit, price and operating risks.

2. Regulatory compliance

Functions:

- Proposes and evaluates policies and procedures for ensuring legal, regulatory or administrative compliance in order to regulate:
  - Measures to prevent money laundering and terrorism financing.
  - Codes of conduct, particularly with regard to the stock market, to prevent abusive market practices.
  - Operational transparency and customer protection in relation to banking operations, investment service, insurance products and pension plans and funds.
  - Protection of personal data.
  - Director, officers and employee compensation.
  - Corporate governance.
- Acts as liaison between supervisory bodies and legitimate third parties in matters falling under its jurisdiction.

3. Internal Audit

Functions:

- Proposes an annual audit plan to the Audit Committee.
- Oversees the execution of the annual audit plan, assigning and supervising the work.
- Supervises the auditors' recommendations following their audits.
- Reports to the Audit Committee on:
  - The results of the work and the controls performed and the decisions taken.
  - The recommendations for mitigating risks.
- Adapts audit procedures to the existing operating structure.
- Coordinates the activities of the supervisory bodies.
- Coordinate the external audit activities.

E.3 Indicate the main risks that can affect the achievement of the business objectives

BCC manages all the Group´s risks. BCC has a clear retail banking vocation and the risks that are typical in this business are as follows:

Credit risk: broadly understood as the possibility of incurring losses due to borrower default, is the main risk to which the Group is exposed based on its nature and business model. It is a well-known, characterised and quantified risk which is addressed by the regulations applicable to credit institutions and by the Group itself. For better management and control, the Group has a Credit Risk Manual approved by the Board of Directors.

Liquidity and interest rate risk: Liquidity risk is inherent to the banking industry, since the essence of banking is the transformation of interest rate deadlines and structures from liability operations to asset operations. For better management of these risks, there is a manual approved by the BCC´s Board of Directors relating to liquidity risk, interest rate, market risk and exchange risk.

Interest rate risk is understood as the possibility of incurring losses due to the evolution of the market interest rates and how it impacts the Group´s earnings and net value of assets. The Group applies a commercial and financial policy of minimal exposure to interest rate risk in order to manage it. Despite this policy, the mere evolution of the market interest rate curve could place the Group on undesired exposure levels.

Operational risk: understood as the possibility of incurring losses due to inadequate processes, systems, human and technical resources, failures and external facts, including legal risk. The general approach to operational risk, which is characterised by low tolerance and is clearly documented in the manual, is expressed in the principles of unity of policies and processes, global management and control of operational risk, transparency, internal communications and adaptation to change. The Bank's operational risk management and control is based on:

- Identifying, analysing and recording events.
- Preventing and mitigating exposure.
- Availability of business continuation plans.
- Ongoing risk monitoring.

Market and exchange risks: For these risks the Group has a Market Risk Manual approved by the BCC´s Board of Directors, the basic principle of which is that the exposure to market and exchange risk must never be speculative, this being understood as trying to take advantage of price fluctuations in the short term. Consequently, the exposure to these risks is moderate and non-speculative.

Regulatory compliance risk: To deal with this risk which is inherent to the banking industry, the Group has a Laws and Regulations Compliance Policy approved by BCC´s Board of Directors. This policy includes manuals, regulations, procedures and codes of conduct which address matters within its scope, such as, money laundering and terrorism financing, customer complaints, and the codes of conduct for stock markets and corporate governance.

The general principles that inspire the execution of the Group's regulatory compliance function are responsibility (the Group's governing body is responsible for supervising the management of the Group's non-compliance risk and senior management is responsible for the effective management of the regulatory compliance risk) and independence (the regulatory compliance function has a formal status within the Group's organisation; the staff who work in the regulatory compliance are, and especially the director, in a situations where there can be no conflicts of interest and they have access to the information and personnel needed to perform their functions).

E.4 State whether the entity has a risk tolerance level.

The Group has not defined a specific risk tolerance level; however, the entire organisation takes a prudent approach to risk which is consistent with a low tolerance to risk.

The basic principles of the Group's risk management policies are in keeping with a moderate risk profile that is management prudently so that (i) credit risk relates basically to financing granted to families and SMEs; (ii) liquidity ratios are high and dependence on wholesale markets is moderate; (iii) the vast majority of loans bear variable rates; (iv) every effort is made to consistently comply with the law and best practices in relation to stakeholders (v) operational losses are low and relate mostly to small operations; and (vi) market risk exposure is moderate and instrumental, since financial instrument trading portfolios are prohibited.

E.5 State whether any of these risks have materialized during the year.

Risks above and other less relevant are inherent to financial activities and therefore to the Group´s activity. Then the materialization of risks to a greater or lower extent is entirely inevitable.

However, the safeguards that have been established as well as channels and circuits for approving risk operate normally and there are no distortions in the application of the procedures established for this purpose.

E.6 Explain the plans in place for responding to and supervising the main risks faced by the entity.

The Group has different tools in place to anticipate and take a proactive stance to risk, as mentioned above. Hence, resuming what has been addressed in previous sections, a prudent and professional approach to risk management includes

(i) The existence of mechanisms for measuring and controlling exposure to main risks (credit, interest rate, exchange rate, market, operational);

(ii) The role of control unites, independently of management units, to monitor exposure to different risks;

(iii) The involvement of executive management and governing bodies in risk management and control and

(iv) The existence of contingency plans in those cases where it is warranted according to banking practice.

There are specific risk procedures manuals to address all kind of risks, undifferentiated they are more or less relevant to BCC and the Group.

F) INTERNAL RISK MANAGEMENT AND CONTROL SYSTEMS IN RELATION TO FINANCIAL REPORTING (FRICS)

Describe the main characteristics of the internal control and risk management systems with regard to financial reporting (FRICS).

F.1 Control environment

Describe the main characteristics of:

F.1.1. What bodies and/or functions are responsible for: (i) the existence and maintenance of an adequate and effective FRICS; (ii) implementation; (iii) supervision.

The Board of Directors of the BCC and the management body are aware of the importance of ensuring shareholders and investors the reliability of the financial information published in the market, being fully involved in the development of FRICS.

The Audit Committee is responsible for the supervision of the proper functioning of the FRICS. Among its competencies we find the following:

- Supervising the effectiveness of the internal control function, the internal audit function and risk management; as well as discussing with the external auditors the significant weaknesses found during audits. Particularly, with respect to the information and internal control systems:

  - Verifying the adequacy and integrity of the internal control systems.
  - Supervising the preparation and the integrity of financial information relating to the Company and Group, reviewing compliance with legislative requirements and the proper application of accounting standards.
  - Regularly reviewing the Bank's internal control and risk management systems, so that the main risks are identified, managed and adequately reported.

- Supervising the process of preparing and presenting regulated financial information and, in particular; the legal requirements and the correct application of the generally accepted accounting principles.

The Board of Directors of BCC is charged with designing and implementing FRICS through the Directorate of General Supervision and Control; implementing the necessary measures for proper functioning of FRICS.

F.1.2. In particular, with regard to the process for preparing financing information, whether there are:

- Departments and/or mechanisms are responsible for (i) designing and reviewing the organisational structure; (ii) clearly defining the lines of responsibility and authority and the appropriate distribution of tasks and functions and (iii) ensuring that there are procedures in place for distributing them.

The Board of Directors, through the Chief Executive Officer, is responsible for designing the organizational structure in order to assign functions and resources as efficiently as possible. The Control General Management is responsible for ensuring that the organizational structure meets the demands of FRICS and for directing the process of exploiting the financial information, guaranteeing that it is correctly distributed to the markets.

The operating procedure manuals with their corresponding tasks; which are available to all Group employees through the Entity's intranet includes the organizational structure, clearing defining the corporate areas and the people responsible for them.

The process of preparing financial information is overseen by Corporate Financial Management and Reporting, in collaboration with the Corporate Accounting and Tax Department. These units are responsible for the BCC's financial information and for consolidating the Group's accounting consolidation process, with clearly delimited functions and responsibilities, separating the preparation and reporting of financial information from control. Specifically, their mission is to design, evaluate and direct the accounting and internal control system, as well as the Group's management information systems in order to guarantee the sufficiency, consistency and operation of accounting processes and that the financial statements are prepared and reported in a timely manner.

- Code of conduct, approval body, level of dissemination and instruction, principles and values contained in the code (indicate whether there are specific references to accounting procedures and financing reporting), body in charge of analysing non-compliance and proposing corrective/disciplinary actions.

  The Group has a Code of Conduct approved by the BCC´s Board of Directors containing a compendium of ethical principles and values intended to guide the conduct of employees, managers and members of the Group's governing body. In particular, there is a specific section on financial information and recording operations.

  The Code covers aspects such as professional conduct which must be guided by legality, loyalty and good faith, personal dignity, non-discrimination, confidentiality, integrity, transparency, objectivity, responsibility, efficiency, quality, professionalism, security and environmental protection.

  This document is available on the Entity's website and intranet. The Corporate Regulatory Compliance department is responsible for updating it, publishing it and making it available to the people affected by it, as well as promoting and coordinating the necessary training activities in collaboration with Corporate Human Resources.

  It is also the responsibility of the Corporate Regulatory Compliance department along with Corporate Audit to enforce compliance with the Code, handle cases of non-compliance and propose the pertinent corrective measures and penalties to the Control Committee.

  The contents of the Code were distributed to all employees on the intranet. In addition, the new employees must sign the Code.

- There is a system in place for employees to report financial or accounting irregularities to the Audit Committee, as well as breaches of the Code of Conduct and irregular activities within the organisation.

The Group offers a means for employees to confidentially report violations of the Code of Conduct as well as financial and accounting irregularities or irregular or fraudulent activities of any kind with the organisation. This allows employees to report financial and accounting irregularities to the Audit Committee.

The reports are channelled through an email that is accessible to all Group employees. Internal Audit is responsible for processing the reports received and is under the obligation to guarantee the confidentiality of the information.

- Periodic training and refresher courses are offered to the people involved in preparing and reviewing financial information, as well as evaluating FRICS. These courses touch on accounting standards, internal audit and control and risk management.

  The Group has a Financial Education School which is committed to the organisation's social responsibility and the professional development of its employees with a view to reinforcing their financial education and guaranteeing that they are qualified to advise customers.

  There is also an Annual Training Plan that contains the courses to be offered to the Branch Offices and Central Service. Specifically, there are certain mandatory internal training courses that cover the following topics: Abusive market practices, prevention of money laundering, personal data protection, insurance laws, MIFID and occupational risk prevention. The courses are offered by Central Services personnel and all employees involved in the preparation of financial information, in addition to the above courses classified as mandatory, may receive special accounting-financial training at the request of their area directors.

  Special training is offered to the employees in charge of generating the Bank's financial information. In 2014, the course offered and the number of attendees was as follows:

  - Internal course on “deferred tax assets and liabilities" which was attended by 12 people.
  - External course on the "BBD – IBM Cognos Controller" which was attended by 6 people.
  - Internal course on “SQL concepts” which was attended by 15 people.
  - Internal course on “Control Risk” which was attended by 5 people.
  - Internal course on "Integrated Reporting Solutions” which was attended by 13 people.

F.2 Risk assessment in financial reporting

Report on the following:

F.2.1. State the principle characteristics of the risk identification process, including the risks of error or fraud, in terms of

- Whether the process exists and is documented.

  The Entity has developed a tool for the identification of the material areas and the relevant processes, which takes into account the risk of error and fraud that could significantly affect the Group's financial information.

- Whether the process covers all of the objectives of financial reporting (existence and occurrence; integrity; assessment; presentation, disclosure and comparability; and rights and obligations) and whether it is updated and how frequently.

  The tool was designed taking all of the objectives of financial reporting contained in the Internal Control Document on Financial Reporting for Listed Entities issued by the CNMV into account (existence and occurrence, integrity, assessment, presentation, disclosure and comparability, rights and obligations).

  Whether the criteria for all types of risk to be identified that are included in the design of the tool are both quantitative and qualitative. Apart from considering the identification of fraud and error risk affecting published financial information, it also takes into account the effects of other types of risks, such as operational, technological, financial, legal, reputational or environmental risks.

  The process of identifying the material areas and relevant processes takes place at least once a year using the most recent financial information Risk assessments are also conducted when circumstances arise that had not been identified previously and which reveal possible errors in the financial information or when there are significant operational changes that could give rise to new risks, including situations involving changes in the Group's structure such as changes in the consolidated companies or business lines or other relevant events.

- The existence of a process for identifying the scope of consolidation, taking into account the possible existence of complex business structures, instrumental entities or special purpose vehicles, among other aspects.

  The Group has a procedure in place for updating and validating the scope of consolidation that is overseen by the Business Participation Unit. A form is sent to each investee to be filled out with the information needed to determine the consolidation scope and process.

- Whether the process takes into account the effects of other types of risks (operational, technological, financial, legal, reputational, environmental, etc.), to the extent that they affect the financial statements.

  As explained above, the process does take into account the effects of other types of risks (operational, technological, financial, legal, reputational, environmental, etc.), to the extent that they affect the financial statements.

- Which governing body supervises the process.

  Any serious risks that are identified, including those related to financial information, are reported to the Audit Committee and the Board of Directors' Risk Committee.

F.3 Control activities

State whether the following exists and, if so, describe the main characteristics:

F.3.1. Procedures for reviewing and authorising financial information and description of the FRICS to be reported to the stock markets, and persons responsible for the documentation that describes the activity flows and controls (including those relative to the risk of fraud) of the different types of transactions that can have a material effect on the financial statements, including closing procedures and special reviews of the most relevant judgments.

In relation to the specific control activities which are implemented for the purpose of mitigating the risk arising from possible errors, inaccuracies or irregularities in the financial information, the Group has a list of manuals, procedures and accounting policies which are constantly being developed and updated, along with revision and control processes that include:

- Consolidated Financial Statements closing procedure. The Group has specific procedures for closing balances sheets, which is the responsibility of the Financial Reporting and Management Unit.

- The general technological controls established by the Group at the IT Department, physical security, logical security, maintenance and development levels.

  The controls in place for the preparation of consolidated financial information are based on i) the controls contained in the tool used to reconcile the information received ii) controls of the information provided by Group companies and consolidation adjustments iii) controls of temporary differences.

  In addition, the financial statements are validated by correlational controls defined by the Spanish Central Bank to ensure the consistence of the information. These controls are executed by the tools used for reporting to the Spanish Central Bank.

- The process for issuing relevant judgments, estimates, assessments and forecasts relative to goodwill, the useful lives of tangible and intangible assets, the value of certain financial (non-liquid) assets, impairment losses on tangible and intangible assets, the value of awarded assets which are reviewed and controlled by the BBC´s Accounting and Fiscal Control Department.

  The Group has an action plan for generating formal, standardised documentation for the areas and processes identified as relevant within the Group and which includes processes such as year-end close and consolidation and making relevant judgments, estimates and forecasts, among others.

  The Group has a review and authorisation procedure in place for the financial information reported to the markets, the frequency of which is determined by law and which is prepared by the Corporate Financial Information area under the supervision of the BBC´s Accounting and Fiscal Control area.

The Audit Committee is also involved in the review process, reporting its conclusions on the financial information as presented to the governing body. This is based on the external auditor's review and the different reviews conducted by Internal Audit to evaluate the adequacy of the different controls on the generation of financial information (as indicated in section F.5.1 below). Ultimately, the General Assembly is responsible for approved the governing body's performance each year along with the balance sheet, income statement and the application of any funds available for distribution.

The description of FRICS is reviewed not only by the Corporate Accounting and Control Area and the Internal Audit Area but also by the governing bodies mentioned above as part of the information reported to the markets periodically.

F.3.2. Internal control policies and procedures for information systems (safe access, change control, operations, continuity of operation and segregation of functions, among others) that support the entity's relevant processes in relation to the preparation and publication of financial information.

The IT Unit is responsible for supporting and maintaining the operations, communications and data management systems, one of its main functions being the study of the systems and standards that make it possible to guarantee the correct level of data and program protection and recovery, ensuring compliance with the regulations and the legally required security measures. As for the IT Security Unit, it is responsible for proposing the data security measures and for application policies. These measures include the existence of adequate access control to applications and systems for adequate role segregation.

The Group has an application development standard that complies with CMMi. This regulation allows the IT systems that are developed to work as intended. This, in turn, minimizes the possibility of error in the process of generating the financial information.

The Group has a Disaster Recovery Plan for the areas involved in the CNMV reporting process. The Plans covers the parent company's information systems where the financial reporting information is prepared.

Finally, the Group has a backup policy that ensures that a daily a backup copy is made of critical environments.

F.3.3. Internal control policies and procedures for overseeing the management of outsourced activities, and of the appraisal, calculation or valuation services commissioned from independent experts, when these may materially affect the financial statements.

The Group uses the services of independent third parties to obtain certain valuations, calculations and estimations used to generate the individual and consolidated financial statements which are published in the securities markets, such as, actuarial calculations and assets appraisals and valuations.

There is currently a supervision and review procedure in place that looks at the activities outsourced to third parties and the calculations of independent experts that material to the process of generating financial information. These are in the process of being reviewed and formalised within the framework of the definition of FRICS so as to ensure that they comply with financial reporting specifications and best market practices.

More specifically, the procedures that are in the process of being developed deal with the following aspects:

- Formal designation of the people responsible for different activities.

- Prior analysis of outsourcing, with a formal procedure in place that is triggered when the need arises to outsource a service or engage the services of an independent expert. The process analyses the different proposals and defines the people responsible for approval the contractual relationship.

- Supervision and review of the information generated or the service rendered:

  - For outsourced activities: requests for periodic reports, inclusion in internal audit plans; obligation for third party auditing; periodic review of external expert's qualifications and accreditation. In those cases where the outsourced service can have a relevant impact on the financial information, reports may be requested from independent third parties on the control activities carried out by the company rendering the service.

  - For the evaluations of external experts: review of the validity of the information provided; periodic review of the experts qualifications and accreditation.

F.4 Reporting and communications

State whether the following exists and, if so, describe the main characteristics:

F.4.1. A specific function responsible for defining accounting policies and keeping them up to date (accounting policy area or department) and resolving questions or conflicts arising from their interpretation, keeping the lines of communication open with the people responsible for operations within the organisation as well as a manual of accounting policies that is kept up to date and distributed to the entity’s operating units.

The BCC´s Regulatory Compliance Unit is responsible for informing the affected departments of changes to the regulations as they occur. It is the accounting and fiscal control unit responsible for setting and interpreting the Entity's accounting policies.

In any event, the accounting policies are updated whenever there is a regulatory change that requires and whenever there is a new decision that could impact them, but only in those cases where there is a certain amount of flexibility.

To perform this function the director of the unit stays abreast at all times of the legislative changes that are about to take place through the circulars and bulletins issued by the UNACC, the technical reports issued by experts in the field and by reviewing the changes published by the CNMV and in the BOE and ICAS on a daily basis. Regulatory changes are studied and analysed to determine their impact on the entity and external experts are consulted as needed, communicating these changes and proposing the necessary actions.

The Director of the Accounting and Fiscal Control Area is responsible for answering any questions or settling conflicts regarding the interpretation of accounting policies, keepings the lines of communication open with the different areas of the parent company and Group subsidiaries involved in preparing financial information.

The Entity does not have a single Manual of Accounting Policies. Rather, the universe of accounting policies includes the Spanish Central Bank (Circular 4/2004 and its subsequent amendments), the policies whose development is demanded by the existing legislation, as well as the specific policies elaborated by the Entity, all of which are available on the Entity's intranet, where all updates are announced.

The Group's subsidiaries and affiliates draft their own accounting procedures and policies in a decentralized way; however, they must necessarily meet the requirements of the standards and guidelines issued by the Director of Accounting and Fiscal Control, which oversees them.

It should be noted that the subsidiaries and affiliates prepare their own financial information based on format previously agreed with the parent so that the format of the financial statements is as homogeneous as possible, which in turn facilitates the preparation of the Group's consolidated information. Because of this, they must comply with the accounting standards and principles issued by the Director of Accounting and Fiscal Control.

F.4.2. Mechanisms for gathering and preparing standardised financial information that apply to and are used by all business units and that support the primary financial statements and notes to the financial statements, as well as detailed information on FRICS.

The BCC has applications and IT systems for aggregating and standardising the individual accounting performed by the Group's areas and subsidiaries, with the necessary level of breakdown and the ability to generate the necessary individual and consolidated financial statements and other financial information published in the markets.

The parent company's accounting information comes essentially from the Financial Server, where the information originating in the different applications of each business area is uploaded daily.

Each subsidiary is responsible for its own accounting using the established systems and for reporting the accounting information in keeping with the General Chart of Accounts format. They are, therefore, responsible for preparing their own financial statements under the supervision of the Accounting and Fiscal Control Unit.

The Financial Reporting and Management Unit is responsible for aggregating, standardising and reporting the information using common systems and applications. This Unit uses the "COGNOS Controller" application for automatic consolidation processes.

The affiliates' information is uploaded in the SGP application and the Financial Reporting and Management units are responsible for importing the information and uploading it to Cognos Controller (consolidations application).

F.5 Supervision of systems operations

Describe the main characteristics of:

F.5.1. An internal audit function whose competencies include supporting the Audit Committee in its role of monitoring the internal control system, including ICFR. Also describe the scope of the FRICS evaluation performed during the year and the procedure whereby the person responsible for the evaluation reports his or her findings, and whether the entity has an action plan with the corrective measures referred to in the evaluation, considering the impact on the financial information.

The Internal Audit area periodically presents to the Audit Committee the results of its verification and validation work along with the associated action plans. The procedure is the same for the work performed by the external auditors or any other independent expert.

The minutes of the Audit Committee meetings contain evidence of the Committee's supervisory function, in terms of planning (approval of annual operating plan, appointment of people responsible for executing the plan, among other things) and the review of the results obtained.

The internal audit function lies with the Entity's Audit Department, which depends functionally on the Audit Committee.

The Audit Committee relies on Internal Audit to undertake the supervision of the Internal Control System and FRICS. The functions of Internal Audit are to conduct scheduled reviews of the risk control systems in place, the internal operating procedures and internal and external regulatory compliance.

The Group's Internal Audit area prepares an annual audit plan which is approved by the Audit Committee. The audit plan is prepared with the objective of reviewing the Entity's critical risks.

The Audit plan includes the revision of key areas of the financial statements as well as key controls of these areas. The general controls of reporting systems are also reviewed.

If during the Audit revisions weaknesses or other improvement aspects are detected an action plan is proposed, agreed with the areas involved defining the people responsible and the time scheduled for its implantation. The Internal Audit area tracks compliance with these actions plans.

F.5.2. State whether there is a discussion procedure whereby the auditor (pursuant to the terms of NTA), the internal audit area and/or other experts are able to report any serious weaknesses found in the internal control system while reviewing the annual accounts or performing other tasks. Also, state whether there is an action plan for correcting or mitigating any weaknesses encountered.

The Audit Committee meets with the external auditors at least two or three times a year previous to the formulation of the Annual Accounts and to present the most important results of their work.

It is the responsibility of the Audit Committee, in accordance with the Audit Committee Rules, (Article 6.1), to discuss with the external auditor all audit-related issues and any other communications foreseen in auditing laws and technical Auditing standards. It will also act as a liaison between the external Auditor and the Governing Body.

The cited regulation also states that the Audit Committee may be aided by independent experts as needed (art. 19).

Article 13 of the Audit Committee Rules specify that the Committee will meet on an ordinary basis at least 4 times a year. In each of these sessions, the Director of Internal Audit explains the conclusions of its work, informing the Committee of the weaknesses detected as well as the action plans proposed by the different areas to address these weaknesses.

F.6 Other relevant information

F.7 External Auditor's Report

Report on:

F.7.1. Whether the FRICS information reported to the markets is reviewed by an external auditor, in which case the entity should include the auditor's report. Otherwise, a reason should be given for not having done so.

Certain aspects of FRICS are in the process of being formalised in the implementation plan and they are expected to be finished in 2015. For this reason, the BCC has decided not to submit FRICS to the external auditor for review.

The BCC will evaluate whether or not to submit the FRICS information released to the market in 2015 to the external auditors for review.

G) OTHER INFORMATION OF INTEREST

If it is considered that any relevant principles or significant aspects relating to the corporate governance structure and practices applied by the Company or the Group have not been addressed in this report, describe and explain them below.

Please also include any additional information or clarifications relative to the preceding sections of the report, to the extent that they are relevant and non-repetitive.

In particular, please indicate whether the company's corporate governance is bound by any law other than Spanish law and, if so, indicate any information the company is obligated to submit which is not covered in this report.

The company should also indicate whether it voluntarily adheres to other codes of ethics or good practices at the international or other levels and, if so, state the name of the code and the date of accession.

Previously, on 25 February 2014 the Grupo Cooperativo Cajamar was established. Banco de Crédito Social Cooperativo, S.A. became the new parent entity of the Group. Cajas Rurales Unidas, Sociedad Cooperativa de Crédito participates in the Group, and, as the order entities of the Group, it has delegated significant management and control competencies in the Bank. The different board committees, risk management and control system, and the FRICS named in this report are those of the parent entity, and therefore, the Group as a whole (Cajas Rurales Unidas, Sociedad Cooperativa de Crédito still has an Executive Committee).

- Clarifying of parts A.1, A.2 and A.3

These sections were note completed because they do not apply to the Entity. There is no significant shareholder or any with a "notable influence" (which entails the possibility of appointing or removing a member of the Entity's Governing Body or proposing the appointment or removal of a member of the Entity's Governing Body).

- Clarification of part C.1.2

First Vice Chairman and Chief Executive Officer, Manuel Yebra Sola, and the members, Juan Carlos Rico Mateo and Antonio Luque, left the Cajas Rurales Unidas´s Governing Body as the BCC was incorporated on 28 January 2014. They all became members of the BCC´s Governing Body. In addition, member Luis Robledo Grau retired on 29 September 2014. Therefore, the Governing Body has 11 members and the Executive Committee has 5 members at the date of this report.

With the exception of Mr. Juan de la Cruz Cardenas Rodriguez (Chairman) who is considered an executive director, the rest of the directors are considered external for the following reasons:

- They do not perform executive management functions and they are not employees of the Entity or its group.
- They do not control significant shares in the Entity (see previous note).
- They have not been designated as independent or proposed for appointment as such by the Appointment and Compensation Committee.

- Clarification of part C.1.4

The Entity did not exist in 2011.

- Clarification of part C.2.1 and C.2.2

At the date of this report the Entity has only an Executive Committee appointed by Governing Body. On 27 February 2014 risk management function, internal audit fuction and nominations and compensation function were cancelled. Therefore, BCC is the only Entity of the Group that has appointed an Audit Committee, Risk Committee and Nominations and Compensations Committee. All the entities of the Group are in the scope of these committees.

The Audit Committee of Cajas Rurales Unidas, Sociedad Cooperativa de Crédito operated until 2013 annual accounts were approved.

- Clarification of parts C.2.4

Two meetings of the Audit Committee during 2014 have been included before it stops operating after 2013 annual accounts were approved. As it is state in above clarification.

- Clarification of parts C.2.5

This clarification has not been fulfilled since the Entity has not appointed a Nomination and Compensation Committee, as it is stated in clarifications C.2.1. and C.2.2.

- Clarification of parts D.1, D.2 and D.3

These sections were not completed due to the fact that in 2014 there were no operations that must be reported under Order EHA/3050/2004 of 15 September on related party transactions that must be reported by companies that issue stocks traded on official secondary markets.

- The Company is not bound by any laws other than Spanish law related to the annual corporate governance report.

- Cajas Rurales Unidas joint the UN Global Compact on 9 Agoust 2006. The Entity supports the Global Compact and helps their 10 principles broadcasting, based on human rights, labour rights, environmental rights and fight corruption.

- During 12 March 2012 the Entity´s Executive Committee approved the initial release of the Code of Practices to homes mortagage security debts viable restructuring. During meeting of 17 June 2013 the Executive Committee approved the Code´s amendments of Law 1/2013, of 14 May.

- As participant of Grupo Cooperativo Cajamar, the Entity supports and is committed with all the Parent Entity´s inititatives.

- During 2014 BCC has joint the following international proyects:

  • Women's Empowerment Principles
  • United Nations Caring for Climate
  • Carbon Disclosure Project (CDP)

This Annual Corporate Governance Report was approved by the Board of Directors at the session held on 30 March 2015.

Indicate any directors or members of the governing body who voted against or abstained from approving this Report.

The Board of Directors of Grupo Cooperativo Cajamar, in the meeting held on 31 March 2015; hereby prepare the Group´s Consolidated Financial Statements for the year ended 31 December 2014 and the Directors´Report for 2014.

This document is signed by the Board of Directors´members. The Board of Directors´secretary signs all the papers comprising Annual Accounts and Directors´Report.

Position	Name	Signature
Chairman	D. LUIS RODRÍGUEZ GONZÁLEZ	
Vice Chairman	Dña. MARTA DE CASTRO APARICIO	
Chief Executive Officer	D. MANUEL YEBRA SOLA	
Member	D. ANTONIO LUQUE LUQUE	
Member	D. JUAN CARLOS RICO MATEO	
Member	D. JOAN BAUTISTA MIR PIQUERAS	
Member	D. JOSÉ ANTONIO GARCÍA PÉREZ	
Member	D. FRANCISCO DE OÑA NAVARRO	
Member	D. EDUARDO BAAMONDE NOCHE	

Madrid, 31 March 2015